NEWS IN BRIEF

Rite Aid script issue goes public

SHIREMANSTOWN, Pa. — Rite Aid took its complaints about the Maine state employee prescription program public with a press conference in June.

Rite Aid officials called the program, administered by Medco Containment Services, Inc., unfair to consumers and local pharmacies and proposed a new system that would allow local pharmacies to fill state employees' prescriptions at no extra cost to the state.

Neuman names Sappia president

RIDGEFIELD, N.J.—Alfred Sappia has been named president of Neuman Wholesale Drug Company. Sappia, previously executive vp of Neuman, will have total operational responsibility for the wholesale company and will report directly to Samuel Toscano, Jr., Neuman Wholesale's chairman and ceo.

Toscano will no longer be involved in the wholesale company's day-to-day operational activities and will concentrate on financial matters.

Neuman is a full service wholesaler providing pharmacetical, OTC and HBA products to nearly 900 independents, small chains and institutioal pharmacies in the New Jersey, Connecticut, Rhode Island, greater metro New York area and four Pennsylvania markets.

New Revco Rx post created

TWINSBURG, Ohio — Revco D.S. has named outsider Gerald Chalfin to the new position of vp of managed care, effective July 20.

Chalfin, 50, effectively replaces former vp of third-party operations Bob Mandelbaum, who left the company in late June, but his duties are broader in scope. At Revco, he will have complete charge of third-party sales and administration, managed-cash prescription programs and the chain's mail-order prescription business. He will report to D. Dwayne Hoven, executive vp of marketing and stores.

Finast adds another combo

PARMA, Ohio — First National Supermarkets of Ohio unveiled its largest and most service-oriented Finast Superstore to date in this Cleveland suburb June 28. The massive, 90,000-square-foot store features a full-service pharmacy, an in-store bank, a flower shop with walk-through cooler, a variety of fresh-prepared food departments and the area's largest juice bar.

Also featured is a "Big Deals" department, which brings together value-oriented items including multi-packs, large sizes and generic products.

The store brings to 15 the number of Finast Superstores operated by the chain in Ohio, as well as 20 standard Finast supermarkets, 5 Pic 'n Pay stores and one Vic's food store. First National also operates food stores in Connecticut.

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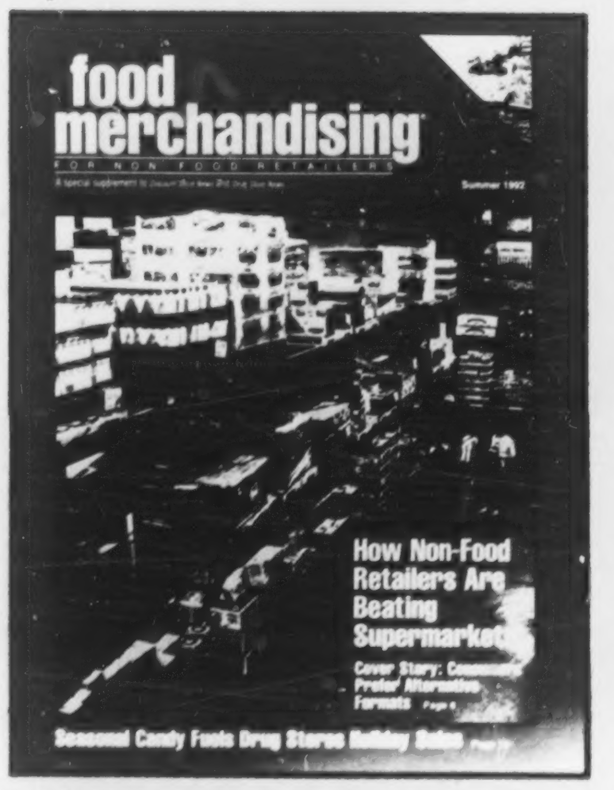
food merchandising
FOR NON FOOD RETAILERS
Summer 1992
How Non-Food Retailers Are Beating Supermarkets
Seasonal Candy Fuels Drug Stores Holiday Sales

FM will appear after pg. 14. If your issue does not have a copy of this regional insert, you may obtain one by calling customer service at (813) 664-6707.

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Ownership issue resolved for LaVerdiere brothers

WINSLOW, Maine — The LaVerdiere brothers have reached an ownership agreement that will allow the Maine-based drug chain to stay out of court and concentrate on fending off national competitors.

In a prepared statement announcing the agreement, Stephen LaVerdiere said brothers Michael and Jeffrey will sell their ownership interest for an undisclosed sum of cash, notes and real estate and submit their resignations. Stephen will remain president and ceo.

The agreement was the result of intense negotiations with all parties realizing the need to resolve their differences quickly and amicably in order to avoid any disruption of the corporation business, Stephen said. The agreement was reached in mid-May after Michael and Jeffrey filed a court complaint alleging their older brother and the board of directors were trying to remove them on unacceptable terms.

"I am very pleased that we were able to work out an agreement that accommodated everyone's interest and permits the company to maintain its independence under existing management," Stephen said.

The elder LaVerdiere would not comment on specifics of the agreement or the privately held retailer's expansion plans. Although the 67-store chain faces competition from several national chains and Wal-Mart is expanding into the northeast, Stephen said the company is well positioned for continued success.

Bergen bids against Cardinal Dist. in contest over Durr-Fillauer

ORANGE, Calif. — Bergen Brunswig has tendered a hostile takeover bid for Durr-Fillauer Medical after Cardinal Distribution entered into a definitive agreement to acquire the Montgomery, Ala.-based distributor in a stock-swap merger.

Bergen tendered a cash offer on July 7 and emphasized Durr's legal obligation to consider its belated offer. According to Bergen chairman Robert E. Martini, the wholesaler was not invited to bid despite a decade of expressed interest.

The agreement between Durr and Dublin, Ohio-based Cardinal Distribution provides for a tax-free or tax-deferred pro rata spin-off followed by the acquisition by Cardinal of Durr-Fillauer's drug distribution business. Durr would reorganize to spin off its medical supply division in this arrangement. Cardinal values its offer at between $166.5 and $181.5 million.

Bergen's two-stage cash offer is for the entire Durr-Fillauer operation and does not involve a spin-off. The offer of $26 per share for Durr's approximately 12 million shares of common stock is valued by Bergen at $365 million, including assumption of debt and other costs. On July 8, the day after Bergen tendered its offer, Durr-Fillauer closed at 27 1/5 (NASDAQ).

Cardinal's cfo David Bearman emphasized that the two offers differ substantially. "Bergen has offered $26 per share for the entire corporation, while ours is just for the distribution [unit]," Bearman told *Drug Store News*.

He noted that Durr has a legal obligation to respond to Bergen's tender within 10 business days, or around July 22. The definitive agreement is still in effect, and by the terms of the agreement, if Durr backs out, Cardinal will be paid a 3 percent breakup fee plus expenses, according to Bearman.

Analyst John R. Golisch of the Los Angeles office of Arthur Andersen told *Drug Store News* he thinks Bergen could come out on top. "I think they have a good possibility. Bergen is a very well run company, so it's a tremendous opportunity for Durr." Golisch observes that the bidding war is likely to result in a proxy fight. Although Durr-Fillauer management declined to comment on the situation, it's likely that a management issue in this decision would be the outcome of Durr-Fillauer's autonomy.

Said Bergen's vp of corporate affairs John T. Fay: "We don't have a definitive reaction from Durr except that they've said the board will study it." He added that, "from our end we don't see this as a hostile offer, considering the history of the two firms. If the deal is right they will proceed."

Bergen Brunswig reported revenue of $4.8 billion for fiscal 1991 and anticipates around $5 billion when it closes its books on August 31 of this year. Cardinal Distribution reported sales of $1.184 billion for 1991, while Durr-Fillauer's 1991 revenue was around $1 billion, or $700 million in its drug distribution business and around $300 million in its medical/surgical unit.

PayLess cuts final deal for Pay 'n Save

WILSONVILLE, Ore. — Pay 'n Save will change ownership from L.A.-based Thrifty Corp. to PayLess Drug by the end of this month, according to David Jessick, senior vp of finance and cfo for PayLess.

Jessick told *Drug Store News* that no regulatory requirements stand in the way of a July 26 closing and noted "there are few things that could cause it not to take place."

No purchase price was disclosed for the 124-store Seattle-based Pay 'n Save chain, which had sales of around $547 million in 1991. Its new parent company PayLess, a wholly-owned subsidiary of Kmart, will expand from 419 to 543 stores when the deal closes.

As previously announced, PayLess intends to operate Pay 'n Save as PayLess stores, but the changeover will occur after the fall of 1992. "In part this will hinge on the fact that they've already got advertising in place into fall," Jessick explained.

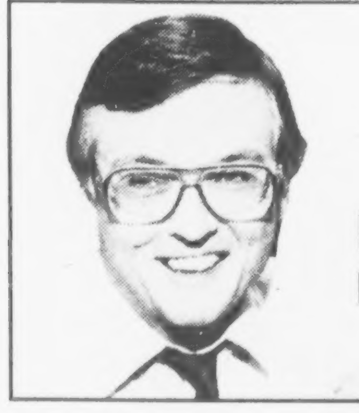
Eventual conversion is likely to occur by geographic groupings in Alaska, Hawaii, eastern Washington and the Seattle area. There will be around five store closings where PayLess and Pay 'n Save operate in the same market, according to Jessick.

Since the acquisition is an asset purchase, Pay 'n Save top management is not part of the deal. "We will probably have some of their people work for us but it's too early on to say for sure," said Jessick, who noted that store management and staff will remain.

PayLess doesn't anticipate major merchandising changes in its Pay 'n Save stores since the two chains run similar operations. The strategy is to avoid disrupting business, and the ownership change will be invisible to customers until the name change occurs.

"We want the transition, to being our customers, to be very easy for them," said Jessick. "Once we've got our programs in place and are well stocked, then we'll make that announcement."

OBRA '90 clock running out on pharmacy



IN THE MARKET
BRUCE BUCKLEY

Retail pharmacy is being asked by the federal government to perform the equivalent of Mission Impossible.

At issue is how to comply with the drug utilization review requirements of the Omnibus Budget Reconciliation Act of 1990, which has become better known by its nickname OBRA '90.

The law says that pharmacies must perform prospective DUR (or "Pro-DUR") for patients covered by Medicaid in order to be eligible to take part in the program. It has set January 1, 1993 as the deadline for the individual states to establish a DUR program.

The Mission Impossible aspect of the scenario is that the government still has not published the regulations that the states need to conform to the law.

NACDS president Ron Ziegler and others have been sending urgent wake-up messages to the federal government in an effort to move this crucial issue off dead center. In his most recent, and most urgent, letter to Louis M. Sullivan, secretary of the Department of Health and Human Services, Ziegler rings the wake-up bell loudly:

"I am very concerned," he writes in a letter dated June 25, "that many states and, by implication, many of our members may not be able to meet this statutory deadline and may thus be determined not to be an eligible Medicaid Pharmacy Provider."

The issues here are extremely complex and difficult. OBRA '90 requires pharmacists to perform prospective DUR for Medicaid patients over a wide range of components, including duplicate therapy, drug-disease contraindications, drug-drug interactions (including OTCs), duration of treatment, dosage checking, drug allergy interactions and clinical abuse.

The software used currently by most pharmacies covers only a portion of these checkpoints, such as drug-drug and drug-allergy. Thus, in order to comply with the regulations, the software programs need to be upgraded.

The daunting task faced by chains in attempting to comply with the deadline is outlined in another letter sent last March by Mark Stalzer,vp-quality assurance and documentation for PDX Inc., to Tom Fulda of the Office of Medicaid Management:

Even after programming for the DUR requirements has been completed, he notes, "installation of software for chains can take six months or more from the time they receive it in their headquarters. New documentation must be written, pharmacists and help desks must be trained, and software must be distributed and installed into the stores."

The timetable is creating a potential nightmare for chains and independents, who face the possibility that they may lose their Medicaid provider status.

If the DUR is not performed electronically, the law still requires individual pharmacists to comply manually. This would mean, Stalzer points out, that pharmacists would have to verify the prescription "against three different compendia. I feel that manual checking of DUR at the level required by OBRA is impossible in a retail pharmacy." Retail pharmacists are just too busy to do this, he notes.

Feds sweep down on unethical pharmacists

WASHINGTON PERSPECTIVE
KEN RANKIN

July was a bad month for America's most trusted profession.

Federal agents raided pharmacies in 50 cities as part of a massive crackdown on Medicaid fraud and drug diversion nationwide.

Of the more than 100 arrests made during the initial phase of "Operation Gold Pill," 82 were pharmacists and most of the rest were non-R.Ph. pharmacy owners.

Millions of dollars worth of drugs were obtained through fraudulent prescriptions, sold at 10 cents on the dollar to street corner diverters, repurchased by "unethical pharmacists," and then sold again to the public at full price.

In the process, many of the diverted drugs were mishandled, stored at high temperatures, and otherwise rendered subpotent if not downright dangerous.

In addition to these illegal diversion activities, federal agents uncovered evidence of widespread Medicaid billing fraud by pharmacists.

Among other things the pharmacy owners were charged with were filling Medicaid scripts with generic drugs but charging brand name prices, billing Medicaid for the same prescription multiple times, and filing claims for prescriptions that were never filled.

Government investigators also uncovered more subtle forms of third-party fraud, such as prescription splitting by pharmacists to double their professional fees.

Practitioners of this scam dispensed only part of the prescription, "causing patients to return at a later date to get the rest of their medications," federal officials explained. "By splitting the prescription, the pharmacist is paid two dispensing fees instead of the one he normally receives."

As reprehensible as these activities are, HHS Secretary Louis Sullivan took pains to put them in perspective.

Pharmacists and other "medical professionals who would engage in such activities represent only a tiny fraction of the honest, dedicated and caring men and women in the health professions in America," he said.

Officials at APhA struck a similar chord, stressing that "only an extremely small fraction of the 65,000 pharmacies and 166,000 pharmacists in the U.S. are involved in this type of activity."

In pledging to "cooperate fully" with the government's Gold Pill investigators, APhA executive vp John Gans said it is "absolutely essential to good patient care" for pharmacists to maintain the public's trust.

APhA's response was right on target, and the concerns expressed by Gans are well founded.

At this point it's not clear whether the public's faith in pharmacy practitioners has been measurably shaken.

If Operation Gold Pill were merely a one-shot episode, it would pose little long term injury to the public's perception of pharmacists.

But according to FBI director William Sessions, this summer's crackdown on drug diversion and Medicaid fraud by pharmacists is "the first phase" of a much larger Operation Gold Pill directed against those who "fraudulently siphon money from the health care system and prey on others without regard for the health risks or financial problems they cause."

For the next year at least, a government spotlight will be focused on community pharmacy. Whether pharmacists retain their status as the nation's most trusted profession will depend in large part on the leadership shown by pharmacy leaders in the coming months.

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NIELSEN HIGHLIGHTS

hand and body lotion

Marketing highlights

This category had all outlet sales of $431 million during the 52 weeks ending March 16, 1991 (up 5 percent against 1990). Unit sales of 183 million were down 2 percent from last year. The average price reported by consumers was $2.36 per unit, an increase of 7 percent from 1990. (Units are the total number of items purchased, not equivalized).

Household penetration declined by 2.2 points to 54.6 percent of the 94.7 million U.S. households. Each of the 51.7 million households purchasing the category this year spent an average of $8.33. They purchased the category at a rate of 2.8 times during the year, buying on average, 1.3 units on each occasion.

Consumers reported using coupons with 18 percent of their purchases (down 5 points from last year), and 28 percent of the units were bought on some type of retailer promotion (down 4 points).

Trade channels share of all outlet unit sales

Trade channel	Percentage share of sales	Unit/buyer	Penetration
Supermarkets	38%	2.7	27%
Convenience stores	1	2.0	1
Warehouse club	2	1.9	2
Other food	4	2.0	4
Drug store	23	2.4	19
Mass merchandiser	30	2.6	22
Other non-food	3	2.1	3

Source: Based on 21,200 actual 1991 purchase transaction.

Consumer characteristics

Purchase Dynamics	1990	1991	Change
Household penetration	56.8%	54.6%	−2.2 pts
Purchase occasions (annual)	2.8	2.8	−1.1%
Units per purchase	1.2	1.3	1.8%
Dollars per purchase	$2.75	$3.00	9.1%
One-time buyers	34%	35%	1 pt
Male primary purchase	19%	20%	1 pt

1991 Buyer characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	53%	63%	62%
Households with children <13	28	55	29	29
Households with any teenagers	14	65	16	18
White households	86	52	82	75
Black households	11	74	16	22
Hispanic households	6	62	7	7
Metro (A and B counties)	72	55	72	73
Households with cable	59	55	60	61

Geographic region share of all outlet unit sales

Geographic region	Percentage share of sales	Index	Avg. price	Penetration
Northeast	18%	83	$2.42	48%
East Central	15	111	2.22	57
West Central	16	99	2.39	55
South	34	113	2.19	58
Pacific	16	91	2.79	55

Source: Based on 42,500 actual purchase transactions.

Lifestage group share of all outlet unit sales

Lifestage groups	Percentage share of sales	Index	Avg. price	Penetration
Young singles	5%	92	$2.50	54%
Young couples/ no children	4	74	2.33	51
New families	7	84	2.27	49
Maturing families	23	108	2.27	57
Established families	10	135	2.27	66
Mid-age singles	7	93	2.39	45
Mid-age couples no children	10	100	2.72	58
Empty nesters	26	112	2.35	58
Older singles	10	75	2.56	46

Other definitions

1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage groups: What they mean

Young singles: Single-member households. Ages 18-34.
Young couples: No children. Age range 18-44.
New families: Couples with children under 6.
Maturing families: Couples with children under 12.
Established families: Couples with teen-age children.
Middle-age singles: Single-member households. Ages 35-54.
Middle-age couples: No children. Ages 35-54.
Empty-nesters: Two-plus-member households. Ages 55 or older.
Older singles: Single-member households. Ages 55 or older.

Snacks ring up crisp sales in drug chains

Snacks fill consumers' hunger for nibbles-to-go. As new flavors, healthful packs and new sizes expand the market, drug chains juggle display space to offer the broadest possible variety.

Snack foods keep on crunching steady gains despite the stale economy.

At drug chains, the recipe for its share of the $13.4 billion snack food business (total U.S.) calls for a big dollop of impulse display, a dash of small servings and a varied menu with selections for health-minded snackers.

Consumers are increasingly tempted by rock-bottom deals found in warehouse clubs and mass merchandisers. These trade classes helped push the snack category to a 6.5 percent gain in pound volume, but just a 5.6 percent dollar climb in 1991 over 1990, according to the Snack Food Association's latest state-of-the-industry report.

Against such discount retailers, many drug chains attract snack consumers through convenience and assortment, along with promotions to highlight value.

How value is conveyed is changing, largely in response to other trade competition. For example, PayLess Drug is attempting to do more snack business through in-store display. Says Andy Vietch, snack buyer for PayLess: "Because of the cost of advertising, our major goal is to do more business with name brand products like Frito-Lay or Eagle and to do it at good everyday low prices." "We shouldn't look to advertising as our only answer to volume," he adds.

Snack picks

Nationally, potato chips still lead the snack category in dollars at $4.3 billion in 1991 (that's 6.29 pounds per capita) for a dollar increase of 1.1 percent over 1990, according to the Snack Food Association. Tortilla chips hold second place with $2.5 billion and a 4.5 percent increase, advanced by Eagle Snacks' tortilla chip rollout in 1991.

At Troy, Mich.-based Arbor Drugs, "anything in multigrain" makes this segment hot, says chairman and ceo Eugene Applebaum. Pioneered by Frito-Lay's Sunchip, the segment is seeing more introductions such as Keebler's new multigrain Quangles. These and several products launched last year fall under the Snack Food Association's "other snacks" category, pushing the category up by 79.4 percent over 1990.

Taste race

Snack manufacturers are aggressively testing new flavors or reformulating old flavors to capture more shelf space. Flavor trends span multiple snack categories, especially in popcorn, chips and crackers. Keebler's latest variation on its O'Boise potato chip (O'Boise is its biggest seller) is a cheddar variation, while Frito-Lay recently added a Monterey Jack flavor to its Ruffles line.

Frito-Lay recently reformulated its Ruffles and Lays potato chips. "We looked at a product that's been around for 26 years," says spokesperson Todd McKenzie, explaining that the change includes higher-grade potatoes, a switch to 100 percent cottonseed oil for improved taste and new packaging.

The "light" trend is also gaining adherents. Going light can mean either less flavor intensity or more healthful ingredients. One buyer notes that Pringles recently dropped one type of mesquite barbeque chip and switched to a lighter BBQ taste product. Pringles explains that its Ripple Mesquite BBQ was discontinued, but it recently introduced a Pringles BBQ Chip. "We rotate flavors in and out to meet consumer interests," says spokesperson Wendy Jacques.

International foods also play into the niche game, the snack version of where to go out for dinner. At Arbor Drug, Keebler's Pizzaria and Chi Chi's tortilla chip are two of the chain's top performers. Arbor's POS system tracks product, enabling quick response for replenishment, or as Applebaum notes: "The name of the game is replenishment. If mesquite is what they want, that's what they want. You've got to have it."

More consumers are choosing snacks with more healthful ingredients, like "light" products with no/low salt, light butter/low fat or multigrain ingredients. The hot new multigrain chip category, including Frito-Lay's Sunchip and the newest entry, Keebler's Quangles, also fits into the the "healthy perception" snack category.

At Arbor, where health-oriented snacks are demonstrating strong growth, Applebaum notes that these do not dominate the department. Trends are developing, however, and this requires inventory management to assure instocks and satisfy customers who expect to find these lighter products.

PayLess is also tracking the health-conscious consumer. The chain is in test with Health Valley's low cholesterol line and says Andy Vietch: "I think that's something we're going to have to take more seriously in the future."

Meanwhile, pretzels are making a stunning comeback and showed a 25.6 percent dollar increase in 1991 (for a total of $764 million), according to the SFA's annual report. The sales spike comes from the pretzel's low-fat reputation as a non-fried snack, say vendors.

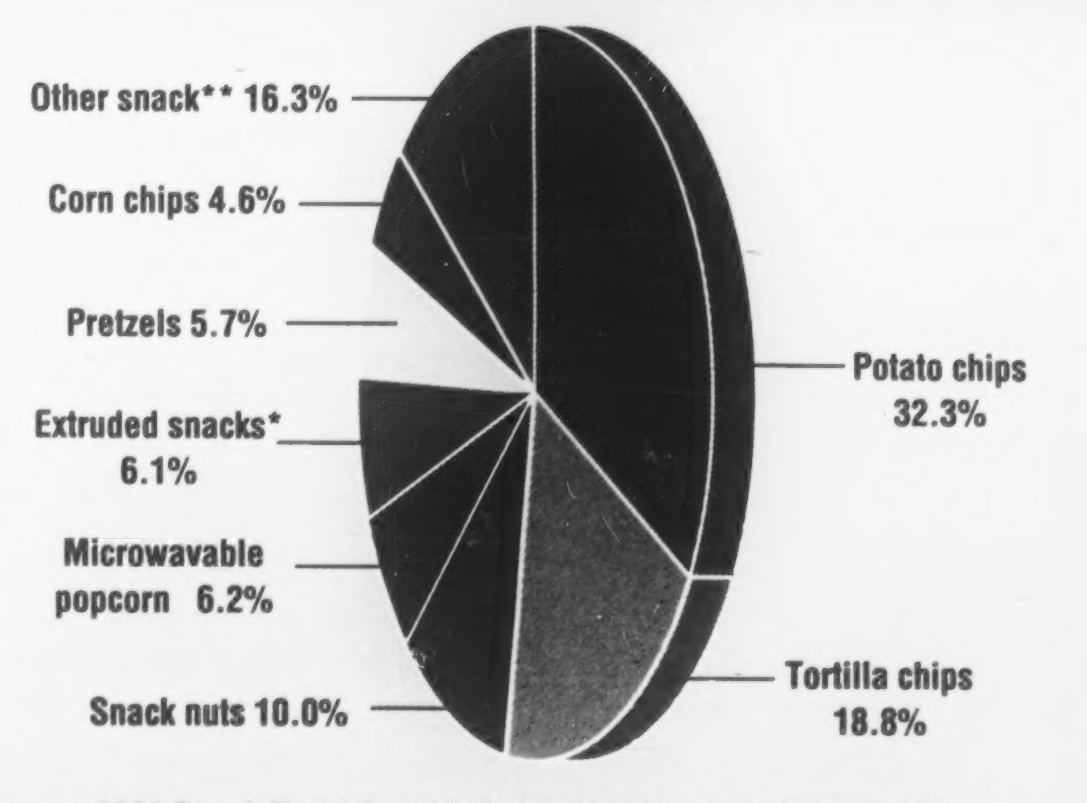
Keebler flaunts the good news with a flag on its pretzels claiming "oven-baked crunch" and this year added two traditional pretzels (Bavarian and Knots) in addition to its butter pretzel line, while Frito-Lay recently introduced its own Bavarian-style pretzel in its Rold Gold line. With multiple players in the pretzel game, Frito-Lay is hoping to push its Rold Gold brand to narrow the field. Its Rold Gold party mix, introduced last year, added bite to the 36.1 percent growth of this $243.8 million segment, which is moving up with the home-entertainment trend.

Nuts also fill the bill for guest snacks. PayLess, which devotes 16 feet to its nut centers, reports that consumer taste is becoming more sophisticated with more shoppers looking for competitively-priced premium product such as cashews. Compared with mainstay nuts like dry roasted peanuts and mixed nuts, Vietch calls cashews "bright stars" in the

Continued on page 15

SNACK MARKET SHARES

(Share of dollar sales)



Source: 1992 Snack Food Association state-of-the-industry report.
*Snack made from dough extruded under pressure, such as puffs.
**Other snacks include meat snacks, ready-to-eat popcorn, party mix, pork rinds, variety packs and unpopped popcorn.

Snack facts

- **The West Central region has the highest pound per capita sales for the snack category, although it is the fourth most populous region.**
- **Potato chips are the leading snack food nationally—but on the Pacific Coast, tortilla chips rank first and in the Southwest run a close second to potato as the top snack chip.**
- **Expect more playful snack products like Frito-Lay's paw-shaped Cheetos, targeted to the fast-growing 10- to-20-year-old age group.**

Source: 1992 Snack Food Association state-of-the-industry report.

Microwave popcorn sales swell

Campgrounds may be about the only places where microwaveable popcorn isn't bursting through the roof.

Nationally, microwaveable popcorn sells at about double the rate of ready-to-eat or prepopped, for a retail sales total of $830 million in 1991 (vs. $455.3 million for prepopped). That's up 7 percent in 1991. Unpopped popcorn, at $132.4 million, is shrinking against other popcorn variants.

At one Southeast chain, microwaveable is promoted heavily in circulars. "I think it's the consumer lifestyle here. With popping you think of it as something you do at home," reports the buyer, who regards prepopped as less an everyday item than a consumable purchased for guests or holidays.

This July, the same chain is venturing into prepopped promotions with a caramel and white cheddar "big bag" promotion that the buyer thinks will appeal to consumers.

In Michigan, Arbor promotes microwaveable popcorn and reports that it does consistently well on promotion as do some of the chip categories like Chi Chi—but prepopped or ready-to-eat is also "coming on very very strong and showing excellent gains" in both basic and butter at Arbor.

Some chains told *Drug Store News* that prepopped holiday and theme tins, like those featuring sports teams and events, move snacks into the gift category. One manufacturer, Golden Harvest, reports that its coated prepopped product comes in 12 designs (plus custom designs for large orders) with Christmas tins leading in sales. Like some of its competitors, it offers bag and tin ready-to-eat in caramel, butter, white cheddar, and most recently, toffee.

Says Gary Scott, director of marketing for competitor Golden Valley, who produces the Act II microwaveable popcorn, says: "We continually come out with new products to improve our mainline items." This manufacturer will release a new savory flavor soon, says Scott. Its current line includes the regular and butter flavors, also available in light and natural (lower fat and sodium), plus caramel, cheddar cheese, white cheddar, tangy ranch and sour creme.

Popcorn already has a reputation as a healthy snack. These days consumers are reaching for even more low-cal and low-fat products. Says Andy Veitch, snacks buyer for PayLess, "the interesting thing about popcorn is that lite-butter is outselling butter and natural is close to butter sales."

He notes that people are conscious of weight and health, which means that while cheese and caramel are still a factor they aren't as strong as three years ago.

Snacks ringing up crisp sales in drug chains

Continued from page 14

category and says "they were secondary in the past, [but] now they're primary."

Another consumer snack shift is to reach for savory seeds. "We strongly believe we're getting newcomers to the category," says product manager Valerie McCartney of David & Son. She notes that it's been a "healthy" year for the company's sunflower, pistachio and pumpkin seeds (its newest product is a BBQ-flavored sunflower seed in the shell). Drug stores are reaching about 5 percent of share in this subcategory so far, while convenience stores lead the way with 65 percent of market share, reports McCartney.

Single serves

The trend toward single-serve bags and bite-size snacks is aimed at busy consumers, says Keebler spokesperson Stuart Greenblatt. He notes that with less traditional meals being eaten at home, people "tend to grab and eat on the run, especially with bite-size product." Bite size is made to be consumed by the handful and is easy for busy people to eat at a desk, in the car or on an airplane.

"You want to get quality products to consumers wherever they're going to eat," adds McKenzie of Frito-Lay, which introduced its "value line" of 25 cent packages for most of its products last year. It is targeting POS impulse display and candy department adjacency to catch "people who would like a quick snack." Frito-Lay's Big Grab packaging is larger but still single serve and has been out for a few years, but is also a growing size segment according to the manufacturer.

PayLess' Vietch notes that smaller snack sizes are "very profitable and something we believe should be a focus." Single serve size Frito-Lay represents 14 percent of Frito-Lay volume, but makes up 49 percent of sales. The chain plans to increase its offering of single serve in cracker, cookie and salty snack areas. He also expects more integration of snack into the candy department and says: "Consumers are looking for alternatives to candy items as long as pricing is proper."

Arbor's Applebaum points out that smaller sizes, ranging from mini- to mid-size, are "very very popular" and notes that this fits the drug store's convenience image, since a rushed or hungry consumer often wants to avoid the longer lines found in supermarkets and combos. An advantage of smaller bags for the drug retailer is the chance to offer more types and flavors, since jumbo bags or large fiber containers tend to drive down assortment.

A smaller price point is also pushing mid-size and mini-bag growth. Although larger bags offer a unit price advantage, customers first see a smaller price tag and often don't want a big snack bag to get stale or choose a smaller size to curb overeating.

The buyer of a Midwest chain notes that more hand or smaller sizes are in the pipeline, and Pringles is testing small foil packs in this region.

"A lot of this is just starting to come out," he says, adding that the convenience packs will end up in a lot of lunch bags. In this chain's upcoming coupon book, the buyer plans to include a new mini-Ralston snack mix bag as a free giveaway.

Price vs. brand

In chain drug stores, snack foods are often positioned to trigger a shopper's impulse appetite—like at deep discounter Drug Barn, based in South San Francisco, where snack foods dominate the right-side power aisle. The way to a consumer's pocket may be through the belt, or as one Drug Barn manager told *Drug Store News*: "First I give them something for the tummy."

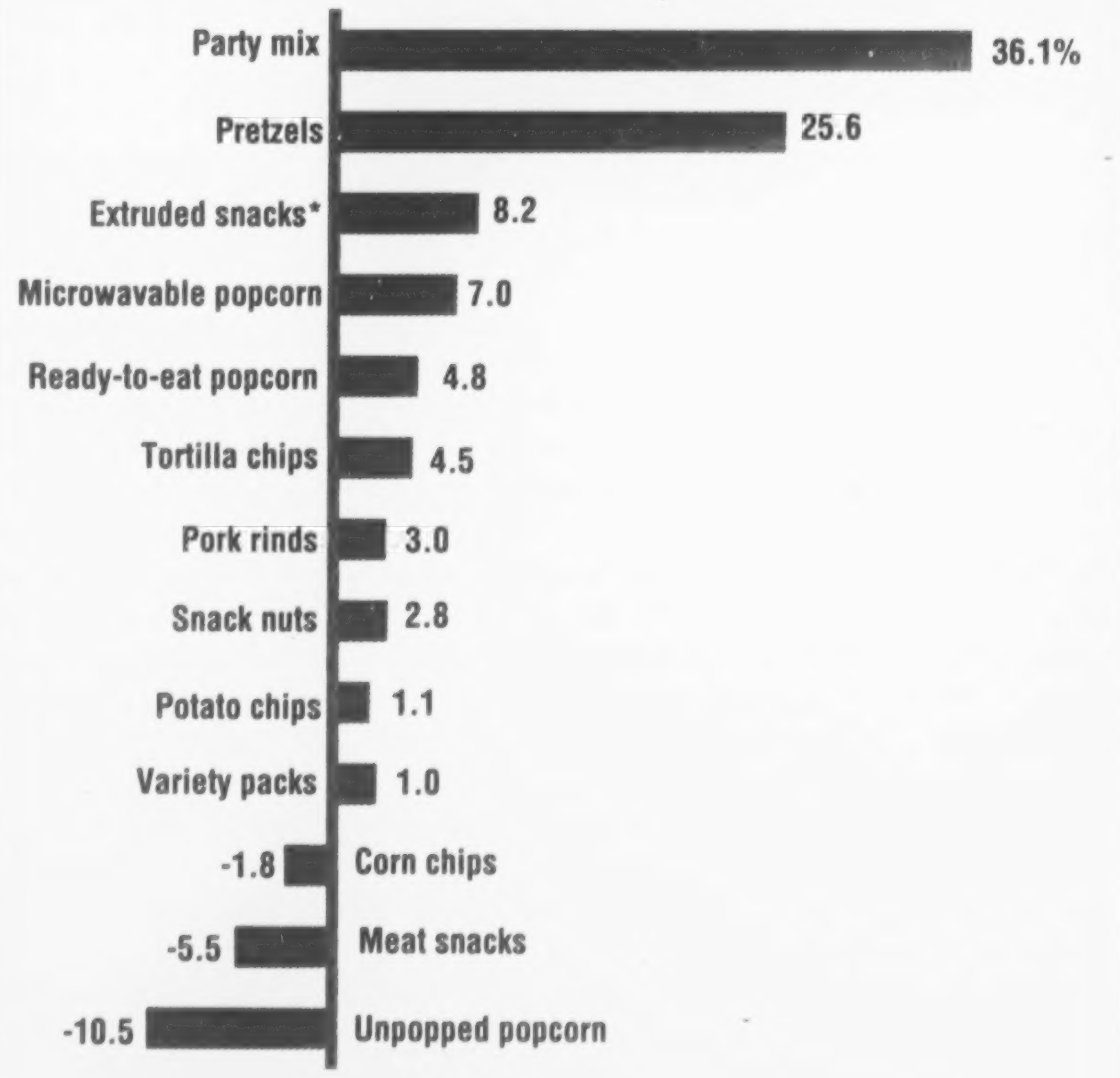
In today's economic climate, do consumers look for price or brand in snack food? "Quality sells," at PayLess says Vietch, who adds, "at competitive prices." The buyer for one southeast chain says, "absolutely price over brand," but at Arbor both do well: "There is strong day-to-day business and people have their favorites, but when snacks are on promotion there will be switching over," says Applebaum.

Snacks are a highly promotable on-deal category. As more large chains enter the private-label snack category, mainly with chips and popcorn, branded products will push image appeal to justify average higher prices.

Bargain snacks stretch a budget further, although branded or upscale lines are likelier choices for more "conspicuous consumption" such as guest entertaining. From "big bags" for Labor Day circulars to mini bags and upscale "signature" lines like Cape Cod kettle potato chips, as one buyer says: "You've got to have a lot of variety to tell the story today."

SNACK MARKET SHARES

(1991 retail dollars, all outlets)



Source: 1992 Snack Food Association state-of-the-industry report.
*Snack made from dough extruded under pressure, such as puffs.

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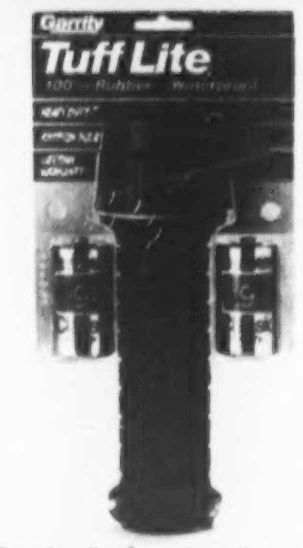

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Candy stays sweet for drug chains despite tough economic times

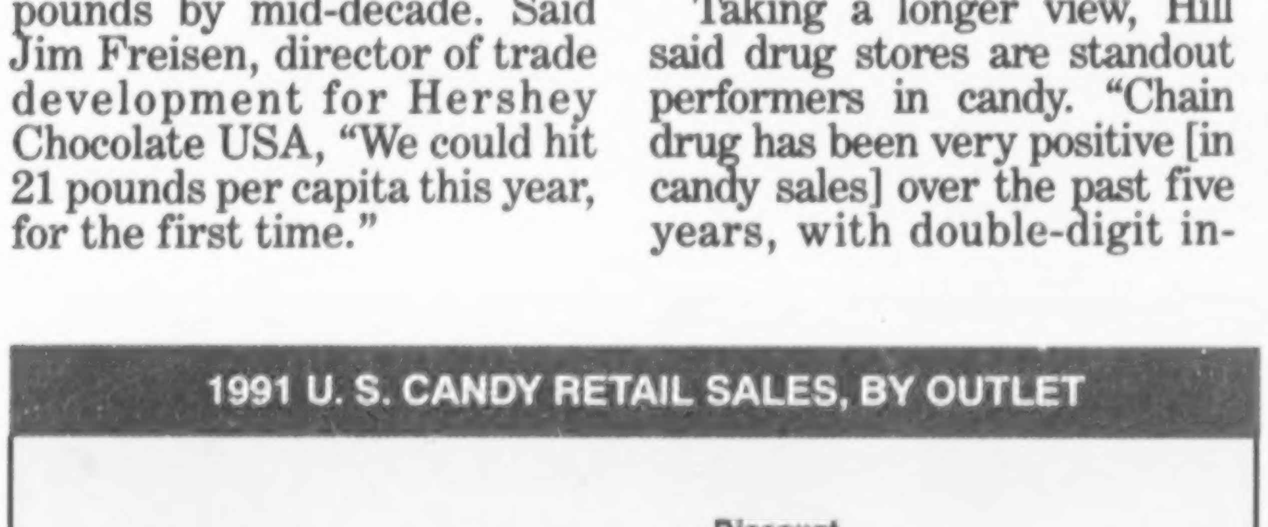
K&B, New Orleans, makes full use of candy's high-impulse sales appeal, displaying a broad selection of bar candies along a prominent service counter that fronts the liquor department near front-end checkstands.

The candy category is living up to its reputation as a sweet performer—be it in recessionary times or boom times. But chain drug buyers are hoping the industry comes up with another home run product in time for Halloween and Christmas.

"I'm still waiting for something that will be the kicker for seasonal this year," said Laurie Mauragas, a buyer for Happy Harry's Discount Drugs in Newark, Del. "I'll be looking for it at the [National Candy Wholesalers Association] Show in Boston."

Be that as it may, candy sales have held up well over the past year despite a slowdown in sales of many other, higher-priced goods in the nation's drug, food and discount stores. Total candy sales now exceed $14 billion at retail, according to National Confectioners Association spokesman Bill Sheehan, and manufacturers are still aiming for "25 by '95," or per-capita candy consumption of 25 pounds by mid-decade. Said Jim Freisen, director of trade development for Hershey Chocolate USA, "We could hit 21 pounds per capita this year, for the first time."

1991 U. S. CANDY RETAIL SALES, BY OUTLET



*Other includes: variety, five & dime; department stores; warehouse clubs: and miscellaneous.
Source: Leaf, Inc., National Confectioners Association.

Estimated 1991 sales - $15B

Indeed, recession seems to be a tonic for sales of sweets. Low price points, multiple-location merchandising in stores, an impulse-purchase incidence as high as 85 percent of sales make the category a natural performer in harder times, say manufacturers and retailers.

"In general, candy always seems to be a good category when times are a little tough," noted Nancy Belanger, toy and candy buyer for LaVerdiere's Super Drug Stores in Waterville, Maine. "People can always afford to treat themselves to a candy bar."

Agreed Hershey's Freisen, "Maybe people don't have the big entertainment dollars right now, but there's always 50 cents to treat yourself or buy the kids a candy bar."

At Walgreens, one of the industry's top candy retailers, "we've seen solid and steady growth with candies," said spokesman Mike Polzin.

Whitney Hill, a spokesman for M&M/Mars, said the chocolate giant had "two very strong months in March and April" after weathering a "kind of static" six-month period in the fall and spring of 1991 and 1992. Bar chocolate sales were up nearly 18 percent in April and sugar candies jumped 16.4 percent for the month.

"It seems to be rolling again," Hill said. Wrapper refund programs—offered by M&M/Mars April 6, and soon after, by Hershey—should push those gains even higher before M&M/Mars' program expires Oct. 15, he added.

Taking a longer view, Hill said drug stores are standout performers in candy. "Chain drug has been very positive [in candy sales] over the past five years, with double-digit increases every year but one. Our No. 1 account among major drug chains was up 21 percent."

Drug chains are "exceptionally strong holiday promoters," agreed Hershey's Freisen.

Chain candy buyers agree sales and margins for candy have held up well, despite a 5-cent-per-bar price hike passed down from most manufacturers last year. "We stayed at the same price and pretty much swallowed the price hike, but our margins are still good," noted Mauragas of Happy Harry's. "We've expanded the section in our stores. . . because there's definitely a niche there, profits are good and our customers have come to expect it."

Added Belanger of LaVerdiere's, "We get a good gross from candy—a good 40 to 45 percent on deal and probably 37 or 38 percent overall."

Dick Osborne, candy buyer for Bill's Drugs in Benicia, Calif., said its store managers can compete sharply on hot items but still build good category margins through careful department management. "On lead candy items, you must get down close to cost. Once they get past the ad merchandise, managers can pick and choose a selection that will bring up their overall gross margins. The purpose: build a mix [to] run good gross profits."

Buyers report that some segments have been extremely hot sellers in recent months. Among them: sour and hot hard candies, fruit-flavored entries, gummy chewables and the new Dove candy line from M&M/Mars. "All the solids are doing well for us; that seems to be the big thing now," said Matt Kirk, candy buyer for Douglas Maxi Drug. "The hot area is sours," said Walgreens' Polzin.

Feisty Bill's carves candy niche

BENICIA, Calif. — Sometimes, it's the smaller chains that have the big ideas. That goes for Bill's Drugs in its aggressive approach to the candy business—an approach mirrored by the chain's niche strategies in other categories where it takes a dominant position, like books and magazines.

With 24 stores in the San Francisco Bay area, Bill's isn't tiny. But it's dwarfed in size by many of its Bay area competitors, including Walgreens, Longs Drug Stores, Thrifty and Pay Less.

The scrappy merchant's response has been to specialize in extremely broad selection of HBA, OTC drugs and other drug store items, while targeting niche market opportunities that its competitors can't offer. That approach has led Bill's to turn its books and periodicals department into little short of a bookstore within a drug store, giving the chain a reputation as a book/magazine specialist.

The same can be said for its approach to candy. The chain maintains an extensive year-round seasonal set for candy, as well as a well-stocked permanent department for bars, bagged candies, etc.

"Some of the other drug stores here just highlight certain items, but customers know we offer a complete seasonal selection of candy," said Bill's buyer Dick Osborne. "We do extremely well in promoting seasonal merchandise."

Indeed, each Bill's store offers anywhere from 20 to 100 feet of candy on rotating, year-round seasonal tie-ins. That's in addition to its main-line confection department.

"We try to build valleys, so that when a customer walks in she sees a full seasonal department set," Osborne said. "We try to incorporate everything in a seasonal set, so the customer can buy related merchandise like toys, baskets, coloring books or the like, along with candy."

To build seasonal volume in candy and other categories, the chain and its major vendors sponsor several buying shows a year for its store managers and merchandisers. Biggest shows are Christmas and Valentine's/spring/summer; Halloween is also tied into a buying show. There, managers have access to a variety of seasonal tie-ins, promotions and deal opportunities worked out in advance between vendors and company buyers.

"The vendors come in and work alongside our own buyers," said Osborne. "We bring our managers in . . . and use a convention center set up with tables. Every item's tagged. The store managers work off their budget." The shows are big enough to fill an auditorium. Candy vendors are well-represented.

In the stores, the result is a coordinated, aggressive seasonal presentation that makes the most of cross-merchandising opportunities in candy. "We're in a very competitive market, but we have an advantage in being able to show a large candy selection," said Osborne.

Walgreens posts strong sales, earnings gains

DEERFIELD, Ill. — Walgreen Co. continues to outrun the anemic economy, notching impressive earnings gains for its most recent fiscal period and maintaining a long string of record sales and earnings.

Net earnings for the fiscal 1992 third quarter ended May 31 advanced a strong 14.8 percent to $56.6 million. Sales were up 10.7 percent to $1.89 billion.

Boosting profits are new store systems, including POS scanning and Walgreens' Strategic Inventory Management System (SIMS), "along with strong cost controls," noted the company.

For the first nine months, net earnings rose 13.6 percent, to $169.2 million, on sales of $5.63 billion. "Pharmacy sales continue to lead overall sales, advancing 15.7 percent for the third quarter and 16.6 percent for the first nine months," said president L. Daniel Jorndt in a statement. He added that same-store prescription sales were up 13.9 percent for the first three quarters.

Big strides in the company's mail-order business are helping to boost pharmacy sales. "Walgreens Healthcare Plus, our pharmacy mail service business, recently signed three new mail service accounts: Alcoa Aluminum, the *New York Times* and USA Healthnet, the nation's largest PPO," said Jorndt. "The alliance with USA Healthnet helps create the first national PPO pharmacy network to integrate both retail and mail-order components."

On the expansion front, Walgreens is projecting a total of 115 new drug store openings this year, including 78 new units already opened. That exceeds original projections and advances the chain's stated goal of reaching 3,000 drug stores by the year 2000.

"Our strong financial position gives us confidence we can accelerate our store growth for the rest of the decade," said chairman Charles R. Walgreen III. "This growth plan will help strengthen Walgreens' presence in existing markets and necessitate entering a number of new markets as well."

The chain ended June with 1,710 drug stores in 29 states and Puerto Rico, compared with 1,625 at the same time last year.

Bergen Brunswig posts 20% net sales gains

ORANGE, Calif. — Bergen Brunswig Corp. reported a 20 percent increase in third quarter net sales to $1.34 billion from $1.11 billion for the period ended May 13, 1992. Net earnings were $17.2 million compared with $17.1 million in the prior year.

Net earnings for continuing operations were $16.0 million compared to $16.2 million for the comparable period, while earnings from discontinued operations were $1.2 million compared to $1.0 million a year ago. Earnings from discontinued operations are those of Commtron Corp., a distributor of pre-recorded videocassettes, sold to Ingram Industries, Inc. in a sale concluded on June 19.

Net sales and other revenues from continuing operations for the nine months ended May 31, 1992 increased 16 percent to $3.7 billion compared to $3.2 billion a year ago. Net earnings were equal to $43.1 million compared to $51.2 million in the 1991 period.

MARKET DIARY:

Largest Dollar Gainer	Durr-Fillauer	$ 6.50
Largest Dollar Loser	Marion Merrell Dow	$ - 4.88
Largest Percentage Gainer	Durr-Fillauer	31.33%
Largest Percentage Loser	Drug Emporium	-33.33%

Advances	46
Declines	14
Unchanged	3
New highs	1
New lows	10

	Close 6/23/92	Close 7/14/92	Net Change	Percent Change
Drug Store News Index	4442.37	4595.01	152.64	3.44
Dow Jones Industrial Average	3285.62	3358.39	72.77	2.21
Standard & Poor's 500-Stock Index	404.04	417.68	13.64	3.38
N.Y.S.E. Composite	221.99	229.51	7.52	3.39
Value Line Index	244.20	250.07	5.87	2.40

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 6/23/92	Closing Price 7/14/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.75	0.00	0.00	19	0.00	0.00	6.75	3.47
OTC	Arbor Drugs	ARBR	19.50	20.00	0.50	2.56	21	0.12	0.60	25.25	17.50
OTC	Big B	BIGB	13.25	13.75	0.50	3.77	14	0.20	1.45	16.25	10.63
OTC	Drug Emporium (L)	DEMP	6.00	4.00	-2.00	-33.33	—	0.08	2.00	9.25	4.00
NYS	Fay's Inc.	FAY	7.88	7.50	-0.38	-4.76	17	0.20	2.67	11.81	6.59
ASE	Genovese Drug (L)	GDX.A	7.75	7.88	0.13	1.61	8	0.24	3.05	14.75	7.50
NYS	Longs Drug Stores	LDG	34.50	34.63	0.13	0.36	13	1.12	3.23	41.75	33.13
OTC	Medicine Shoppe	MSII	24.75	25.00	0.25	1.01	18	0.36	1.44	30.75	19.50
NYS	Perry Drug	PDS	9.00	8.63	-0.38	-4.17	12	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	20.00	20.38	0.38	1.88	14	0.52	2.55	23.75	17.25
NYS	Walgreen Co.	WAG	32.63	37.00	4.38	13.41	21	0.52	1.41	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.50	20.25	0.75	3.85	15	0.40	1.98	23.91	16.00
OTC	Bindley Western Ind.	BIND	14.63	14.38	-0.25	-1.71	8	0.04	0.28	20.75	13.50
OTC	Cardinal Distribution	CDIC	29.25	30.50	1.25	4.27	23	0.08	0.26	38.75	22.50
OTC	Durr-Fillauer	DUFM	20.75	27.25	6.50	31.33	19	0.28	1.03	32.25	17.50
NYS	FoxMeyer Corp.	FOX	12.38	13.00	0.63	5.05	13	0.28	2.15	16.63	10.75
NYS	McKesson Corp.	MCK	30.63	32.88	2.25	7.35	36	1.60	4.87	40.13	30.25
ASE	Moore Medical	MMD	6.00	6.63	0.63	10.42	22	0.00	0.00	7.38	3.00
NYS	Owens & Minor	OMI	17.13	17.75	0.63	3.65	18	0.24	1.35	24.25	15.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	28.50	30.50	2.00	7.02	22	0.60	1.97	34.88	25.31
NYS	American Home Products	AHP	71.13	74.88	3.75	5.27	17	2.60	3.47	86.25	60.25
ASE	Barr Laboratories (L)	BRL	6.00	7.25	1.25	20.83	52	0.00	0.00	37.50	5.88
NYS	Baxter International	BAX	36.75	37.25	0.50	1.36	18	0.84	2.26	40.88	32.63
OTC	Block Drugs Co. (L)	BLOCA	47.50	45.50	-2.00	-4.21	14	0.88	1.93	61.00	44.25
ASE	Bolar Pharmaceutical	BLR	12.00	13.75	1.75	14.58	—	0.00	0.00	14.50	4.13
NYS	Bristol-Myers Squibb	BMY	66.38	66.88	0.50	0.75	16	2.76	4.13	90.13	62.00
NYS	Carter-Wallace	CAR	25.00	29.38	4.38	17.50	29	0.32	1.09	45.84	20.84
ASE	Columbia Labs	COB	4.88	4.63	-0.25	-5.13	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.00	19.38	0.38	1.97	14	0.28	1.45	24.38	16.88
ASE	Forest Labs	FRX	30.88	34.88	4.00	12.96	31	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.63	6.81	0.19	2.84	24	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	10.00	11.25	1.25	12.50	12	0.00	0.00	25.38	5.25
NYS	Johnson & Johnson	JNJ	44.88	46.25	1.38	3.06	20	0.92	1.99	58.69	42.38
ASE	Lee Pharmaceutical	LPH	1.38	1.50	0.13	9.09	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	—	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co.	LLY	64.38	64.75	0.38	0.58	14	2.20	3.40	87.75	63.63
NYS	Marion Merrell Dow (L)	MKC	32.50	27.63	-4.88	-15.00	13	1.00	3.62	39.00	25.75
NYS	Merck Co.	MRK	49.50	50.00	0.50	1.01	26	0.92	1.84	56.59	39.00
NYS	Mylan Labs	MYL	37.25	41.75	4.50	12.08	39	0.20	0.48	43.25	24.00
NYS	Novo-Nordisk	NVO	87.25	92.63	5.38	6.16	19	0.60	0.65	96.00	66.00
OTC	Nutramax Products	NMPC	10.00	9.75	-0.25	-2.50	24	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	72.25	77.38	5.13	7.09	35	1.48	1.91	87.00	58.38
NYS	Pharmaceutical Resources	PRX	4.88	5.63	0.75	15.38	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	54.00	57.63	3.63	6.71	23	0.64	1.11	69.38	41.38
NYS	Schering Plough	SGP	54.75	55.50	0.75	1.37	17	1.56	2.81	68.00	49.88
NYS	Syntex Corp. (L)	SYN	34.75	33.50	-1.25	-3.60	16	1.04	3.10	56.00	32.13
OTC	Taro-Vit Industries	TAROF	8.50	8.25	-0.25	-2.94	118	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	23.63	25.75	2.13	8.99	27	0.16	0.62	28.38	14.00
NYS	Upjohn Co. (L)	UPJ	31.88	31.88	0.00	0.00	11	1.36	4.27	47.88	31.00
NYS	Warner-Lambert	WLA	59.88	62.50	2.63	4.38	51	2.04	3.26	79.25	58.38
OTC	Zenith Labs	ZENL	18.00	19.00	1.00	5.56	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	39.63	41.75	2.13	5.36	24	0.64	1.53	44.88	32.75
NYS	American Stores	ASC	34.13	36.13	2.00	5.86	11	0.68	1.88	42.25	26.00
NYS	Giant Food (L)	GFS.A	20.50	20.38	-0.13	-0.61	15	0.68	3.34	28.88	19.38
NYS	Great Atlantic&Pacific Tea	GAP	28.63	27.38	-1.25	-4.37	18	0.80	2.92	43.63	25.00
NYS	Kmart	KM	22.50	23.00	0.50	2.22	12	0.92	4.00	27.50	19.06
NYS	Kroger (L)	KR	15.38	14.63	-0.75	-4.88	12	0.00	0.00	21.13	14.63
NYS	Melville Corp.	MES	44.25	46.38	2.13	4.80	15	1.48	3.19	52.00	38.25
OTC	Fred Meyer	MEYR	24.25	27.25	3.00	12.37	14	0.00	0.00	29.25	19.75
NYS	Penney, JC (H)	JCP	70.25	70.88	0.63	0.89	29	2.64	3.72	72.13	47.13
NYS	Safeway	SWY	12.50	12.88	0.38	3.00	24	0.00	0.00	20.25	11.63
NYS	Smith's Food & Drug (L)	SFD	29.00	28.00	-1.00	-3.45	17	0.44	1.57	43.25	27.38
NYS	Wal-Mart	WMT	53.88	55.50	1.63	3.02	38	0.20	0.36	59.88	44.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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DRUG STORE NEWS for the PHARMACIST

VOL. 2 NO. 7 The Journal of Retail Pharmacy JULY 27, 1992

NEWS FOCUS

•The initial box score from last month's FBI crack down on drug diverting pharmacists: 56 retail pharmacies closed down by federal agents and 82 pharmacists arrested in 50 U.S. cities. The FBI operation, code name "Goldpill," tracked Medicaid and Medicare patients who obtained unneeded prescriptions from "unscrupulous doctors," had them filled by pharmacists, "then sold the drugs for a fraction of their value to diverters. These middlemen in turn sold them at discount rates to unethical pharmacists, who then re-sold them to the public at full-price."

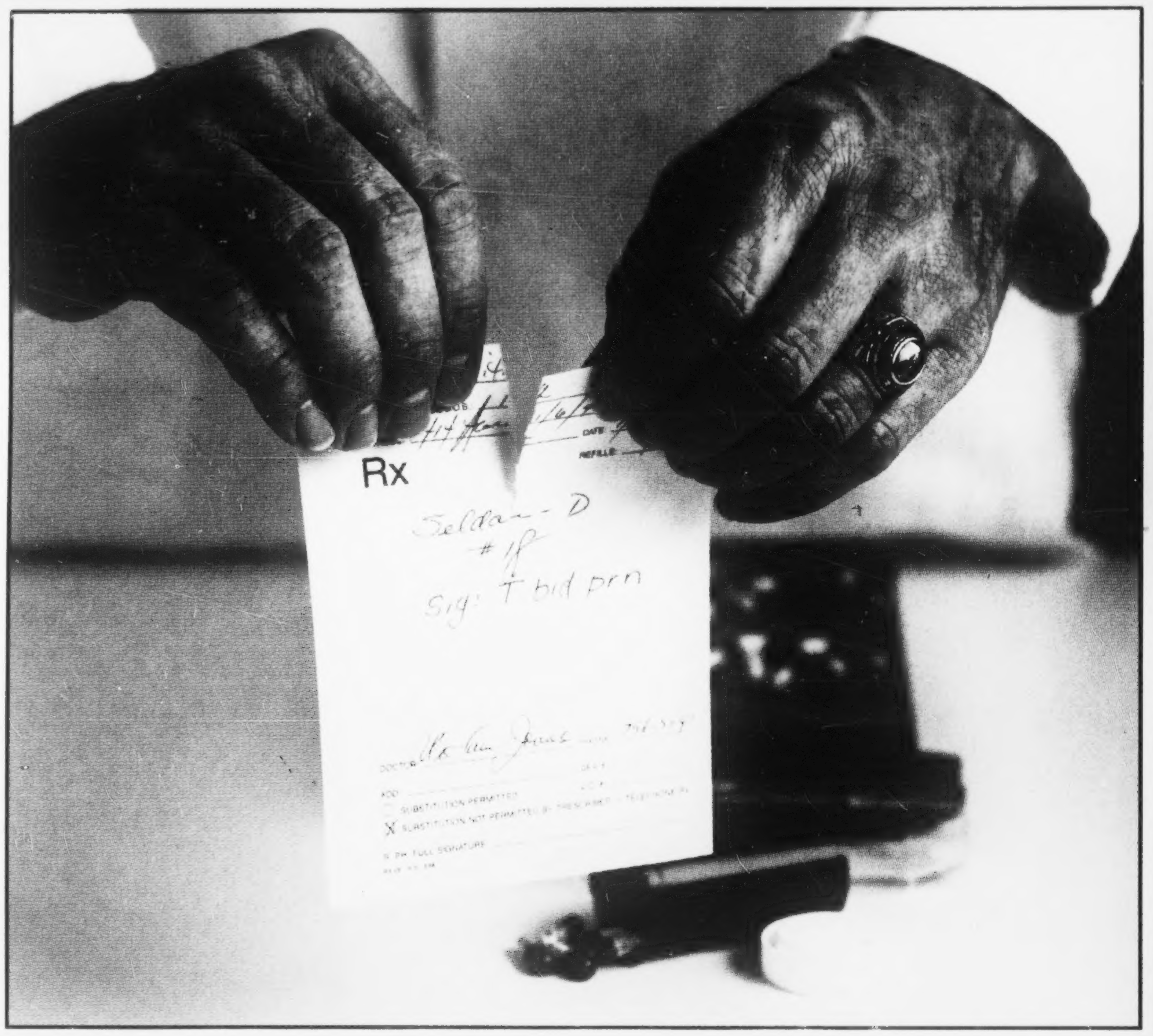
•Marion Merrell Dow was quick to alert health care professionals regarding the FDA's recent mandate to upgrade warning labels on Seldane, but plans to switch the prescription drug to OTC status have been clouded.

The popular, non-sedating antihistamine, with 1991 sales totaling $768 million, can cause life-threatening cardiac problems when used with some anti-infective drugs, by patients with liver disease or in excessive doses, according to the FDA.

Its patent expires in April 1994 and Marion Merrell Dow planned to switch it to OTC, with some analysts predicting it would surpass Tylenol as the nation's leading over-the-counter remedy.

"We are re-evaluating those [switching] plans," said Dick Johnson, a company spokesman.

APhA head honcho, John Gans, immediately seized on the Seldane warning as evidence of the need for a new, pharmacist-only transitional class of drugs.



Rx-to-OTC: No prescription needed

As FDA concerns with the safety and labeling of Marion Merrell Dow's Seldane have thrown a wrench into plans to seek OTC status for the world's leading non-sedating prescription antihistamine, a renewed emphasis at the FDA on OTC regulatory efforts could subject other potential switch candidates to increased scrutiny. *Cover story begins on page 17.*

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editor's note

A third class argument against a first class idea

If Orrin Hatch's finger pointing at retailers as the cause of rising drug prices (*Drug Store News for the Pharmacist*, June 22, 1992) didn't get your blood boiling, get yourself a copy of NDMA's video: "Less for More: A Third Class Idea." Targeted at the consumer, the video recalls the long gas lines of 1974 as an example of what will happen if a Third Class of drugs is instituted here. A customer shopping in a grocery store passes the HBA shelves as Tylenol and Contac fade before her eyes to leave gaping holes where familiar, accessible product once appeared.

The gist of the video: long lines, less product choice and increased prices are inevitable if this "druggist monopoly" occurs. This argument might make sense to the average consumer. After all, according to the video, with distribution restricted to only 65,000 pharmacies nationwide, the access to OTC medicines would be cut by 90 percent. And with busy druggists filling an average of 69 prescriptions per day, how would they have time to sell the customer Tylenol? Clearly, the video argues, a Third Class of drugs would be "inconvenient, unnecessary, expensive and unfair."

Come on guys, Tylenol and Contac? Maybe I missed something in the Third Class proposals. I thought we were talking about a *transitional* class, where, for example, Rx switch products might reside so pharmacists could facilitate their safe use by consumers, and problems that occurred when Metaprel was Rx then OTC then Rx again might be avoided. Or a *pharmacist-only* class where products like Seldane could be dispensed only after concurrent antibiotic use or a history of liver disease could be queried.

What about the availability of the closest thing we have to a Third Class product today: insulin. I am unaware of diabetics waiting in long lines to purchase insulin. And the expense? In the retail pharmacies where I worked, the margin on insulin was about the lowest in the store.

Has the average consumer been done a disservice by this misrepresentation? Apparently not. See this issue's cover story for a consumer group perspective and the latest on the Third Class. Has pharmacy been done a disservice by this video? I'll leave that up to you.

Dianne M Tharp

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The FDA has placed increased emphasis on OTC regulatory efforts by restructuring and creating an advisory panel. But what effect will those changes have on the Rx-to-OTC switching process? **Page 17.**

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New studies showing benefits boost sales. **Page 9.**

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Vitamin sales booming again as new reports tout benefits

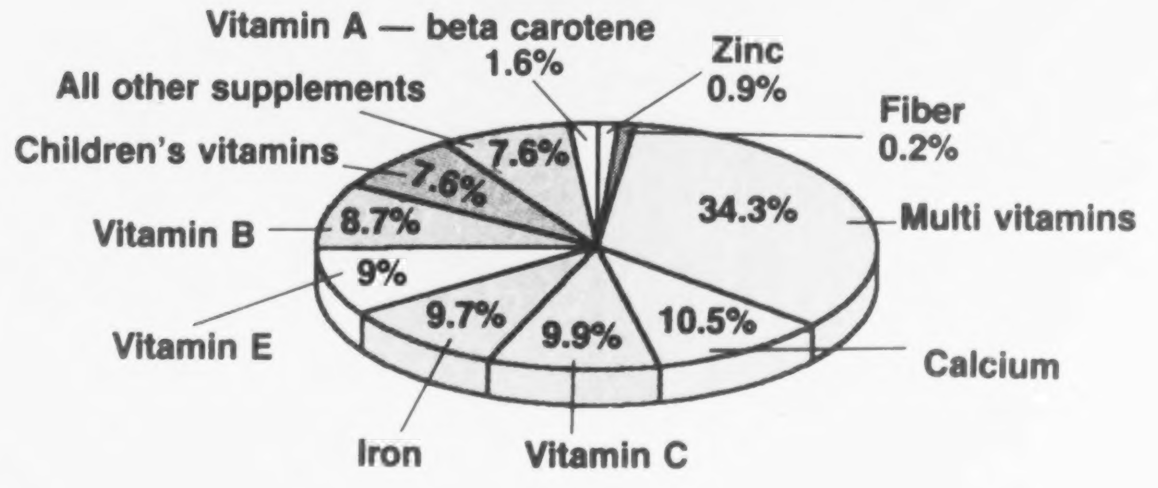
Consumers are regarding vitamins with new respect, thanks to a flood of recent articles reporting positive results in vitamin studies.

Among the most promising new indicators are scientific reports of cancer preventive and other health-enhancing properties found in antioxidants such as vitamin A/beta carotene, vitamin C and E and other dietary supplements.

And while the benefit of calcium in preventing osteoporosis is well known, more recent studies are demonstrating the possibility that zinc bolsters immune function and folic acid prevents neural tube defects.

Share of retail vitamin sales ($555.3M) in drug stores by sub-categories

(12 months ending May 1992)



Source: Towne-Oller and Associates.

Comments Sundown's Nicolas Palin, president of sales for Rexall-Sundown, who reports that the manufacturer's vitamin sales are up almost 40 percent since last year: "The generally favorable response in the press—probably for the first time ever—is helping fuel increased awareness of vitamins."

In the 12 month period through May 1992, all vitamin sales in drug stores grew 4 percent to reach $555.3 million, according to a drug store audit by the market research firm Towne-Oller and Associates. The same report shows multivitamin sales up 1 percent over the previous year to reach $190.4 million.

The vitamin category has been relatively flat for the past three years, but this year's media attention appears to be working: vitamin C jumped 10 percent, vitamin E rose 9 percent and the vitamin A-beta carotene segment rose 16 percent in drug stores (dollar sales) over last year, according to the same study.

Buyer Robin Koon of California-based Horton & Converse Pharmacies reports that, although he's seen vitamin sales slump in recent years, "I think we're going to see a resurgence in that area and I think the hot area is the antioxidants. I think when they come in to pick up an antioxidant, it helps vitamin sales in general."

Says Nature Made's (Pharmavite) Frank Sajovic: "The news has been wonderful and it should continue because scientific studies are not just a flash in the pan." He and other manufacturers note that more study results will be released between 1992 to 1995. "This wave of positive publicity should continue for several years and hopefully will take

Continued on page 10

FDA takes on vitamins

The Food and Drug Administration has embarked on a major effort to improve the content and format of the nutrition label on packaged foods.

Under the Nutrition Labeling and Education Act of 1990, proposed regulations are scheduled for a final date of November 1992. Unless a vitamin is marketed as a drug (and therefore subject to regulation as a drug), vitamins and minerals are considered food and must conform with these regulations, says FDA press official Sandy Baxter.

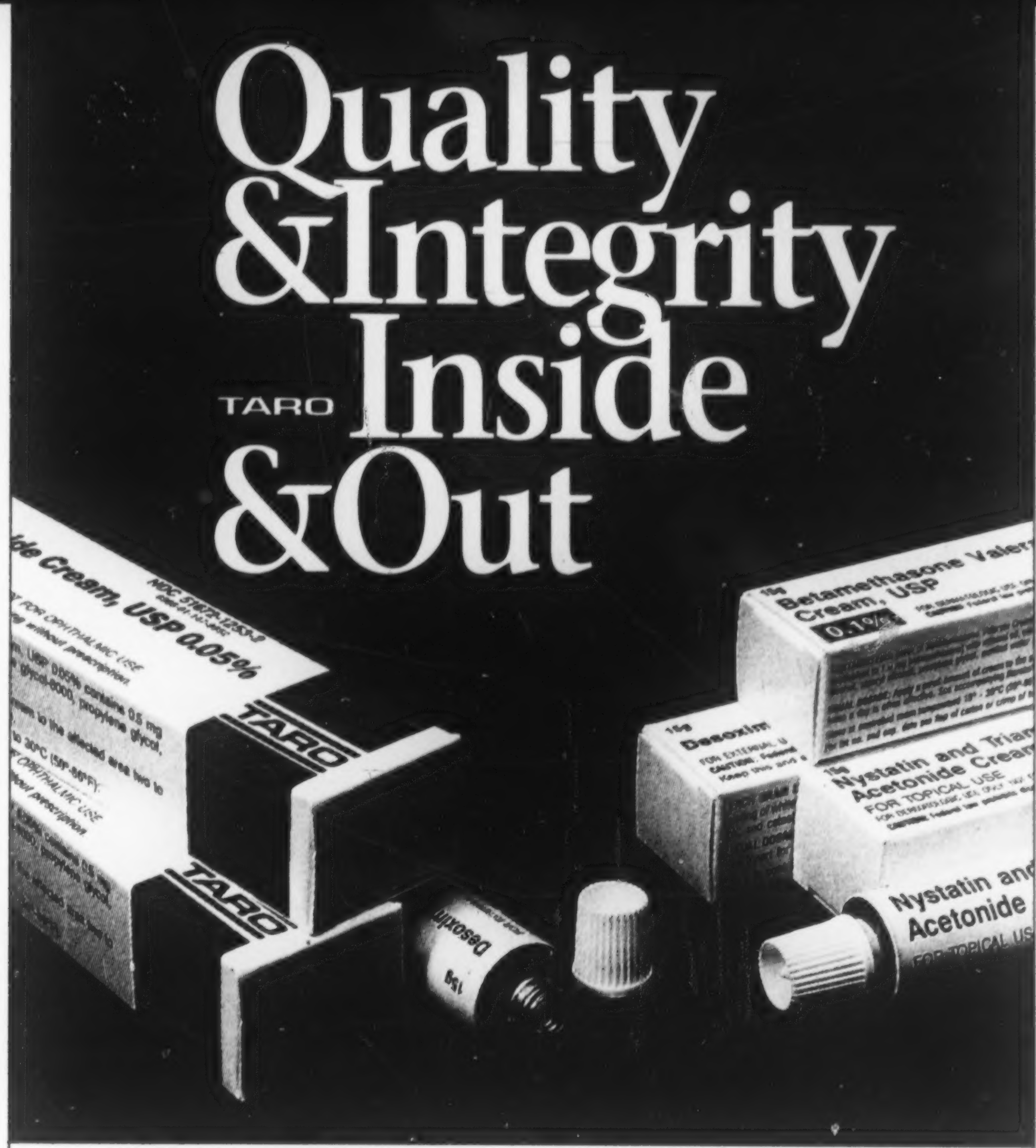
According to nutrition labeling proposals, specific health claims relating to calcium and osteoporosis would be allowed, but not health claims relating to zinc, antioxidant vitamins, dietary fiber or folic acid.

One result of NLEA will be new standards for dietary intake. As proposed, the old standard U.S. Recommended Daily Allowance (RDA) would be replaced by Reference Daily Intake (RDI) to provide consumers with a basis to compare protein, vitamin and mineral content of food.

Another standard, the Daily Reference Value (DRV) would provide a basis to compare fat, cholesterol, carbohydrates, dietary fiber, sodium and potassium. One of the controversial issues, according to vitamin manufacturers, is whether the percentages of these dietary reference values will be too low in light of recent studies.

At the same time, several other major studies are underway which could have an impact on future labeling regulations. One is the soon-to-be-released Dietary Supplement Task Force study.

"A lot is unclear about what the FDA is planning over the next year or two," says one vitamin manufacturer. Says the FDA's Baxter, "We issued regulations in November of last year and received thousands of comments which are still under review." He continued, "I'm sure the Dietary Supplement Task Force [study] will have an impact on those regulations, but what they will be I'm not sure."



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Vitamin sales boom again

Continued from page 9

a lot of the mystique out of vitamins, where they will be linked more to science than folklore," adds Sajovic. Manufacturers are frustrated because they cannot excerpt this kind of news to promote their products. Paul Bolar, director of regulatory affairs for Pharmavite, says, "We'd like to make a claim about antioxidants in relation to cancer prevention. We think there is good data that the FDA isn't putting enough weight behind."

Vitamin decade

In the 1960s and 1970s, a counterculture movement drove strong vitamin sales. But this current wave of vitamin interest, backed by scientific studies conducted by institutions like Harvard Medical School, is influencing purchasing decisions of mainstream consumers who want more control over personal and family health, yet have concerns over their financial future.

Today's ailing economy draws consumer attention to comparative prices. Consumers concerned about the high cost of health care, and especially those who are worried about employment or stuck between jobs, adds traffic to the growing consumer market for value-priced vitamins.

At Olson Plaza Pharmacy in Seattle, Marshall Olson reports that he does very well with the generic equivalent of Centrum. At MediMart Pharmacy, which operates three stores in Binkley, Arkansas, pharmacist Ben Meyers explains that his customers are concerned about quality, potency and price, so MediMart shows a steady business in both national brands and generics. But Horton & Converse customers are more concerned with perceived quality than price, says Koon. "Nature Made is very good at that. Their bottle says no preservatives and no artificial colors. The trend is to get as natural as possible."

Quiet claims

Meyers reports that physicians recommend vitamins on occasion but adds, "we do a great deal of counseling. We usually use our expertise on what vitamins do and don't do," says Meyers.

Pharmacists consider a person's lifestyle, age, whether they smoke and other factors. Based on feedback from customers, he is concerned that some health food stores and exercise salons (where vitamins are also sold) seem to be making false claims about dietary supplements.

At Horton & Converse, like most drug stores, vitamins are displayed in front of the pharmacy so the pharmacist can answer questions. "We stick to what's published, what's known" when it comes to counseling, says Koon.

> *This current wave of vitamin interest. . . is influencing purchasing decisions of mainstream consumers.*

Besides pharmacists, customers can get information from manufacturer sources too. Sundown packages its line with a double-sided label, which provides information on both sides, and supports its vitamin products with a brochure series called "Ask the Family Doctor." Brochures are provided by many other vitamin manufacturers as well. These are often displayed in a spinner rack near the pharmacy in the patient waiting area.

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Vitamin sales booming again as new reports tout benefits

Continued from page 10

Only limited claims can be made for vitamin/mineral products, but some new marketing plans and promotions are on the way this summer and fall. This year, Squibb's Theragran launched a new package to reposition the brand as a contemporary multivitamin using bold orange, yellow and green graphics against a black background. Its third-quarter media program includes TV and women's magazines.

Sundown is taking a different approach and will feature the ageless icon Dick Clark as spokesperson for its "Formula for Life" vitamin launch this summer. Both nutritional lines of Rexall-Sundown are participating in the new Air Miles program, launched this spring by a group of manufacturers including Proctor & Gamble and Frito-Lay. For each proof of purchase, the Air Miles program offers air mile credit toward travel awards on major airlines.

Horton & Converse's Koon says he thinks Centrum's occasional consumer premiums are effective and explains, "sometimes they throw in sunscreen or samples." Sports is another way to convey the vitamin message. Jameson Pharmaceutical recently added three high-visibility products to its line of over 300 nutritional products. Jameson, which is an official supplier of the U.S. Olympic committee, recently shipped the three vitamin formulas in a marketing tie-in with the Summer Games.

> *Multivitamins, covering the "A-to-Z" spectrum, are positioned as all-purpose or are targeted to different age groups.*

Vitamin segments

The vitamin market provides opportunities for overlapping sales: One type of consumer purchases a single multivitamin supplement, while another buys separate vitamins, and yet a third combines multivitamins and single products.

Multivitamins, covering the so-called "A-to-Z" spectrum,are positioned as all-purpose or are targeted to different age groups: the active consumer, seniors and kids. Centrum offers a full line of multivitamins but its popular Centrum Silver is targeted to seniors. Theragran's flagship product, Theragran-M, is primarily targeted to active women over 45. Says product manager Christopher Nadai: "With the aging of the baby boomers, we feel that the line is correctly positioned to take advantage of this trend without launching a senior line."

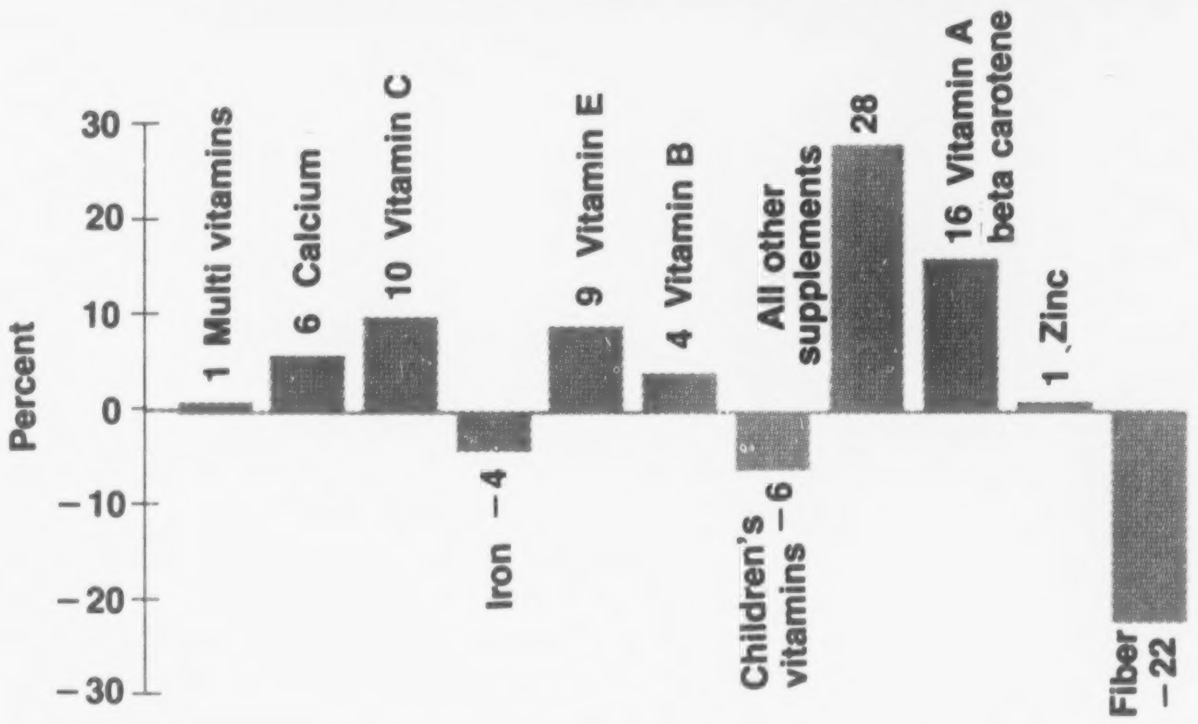
Theragran aims ads at active consumers by emphasizing that it offers more B and C vitamins than other national brand multivitamins. Nature Made emphasizes its natural ingredients and targets all age groups for its Nature Made and Essential Balance high potency multivitamin lines. With the spotlight on recent vitamin studies, some manufacturers are reformulating their multivitamins. The Essential Balance line promotes "now more antioxidants" on its package. One of its latest introductions is a separate Antioxidant A (beta carotene) and C and E. Theragran and Rexall's Plenamins Plus also highlight beta carotene on their packaging.

Children's vitamins

Children's vitamins are a projected growth segment, according to Frost & Sullivan's latest report, which predicts children's vitamin sales in all outlets will reach $323 million by 1994, up from $280 million in 1989. But Koon at Horton & Converse says he hasn't seen big growth in this segment yet.

Dollar volume percent change by vitamin sub-categories

(12 months ending May 1992 vs. May 1991)

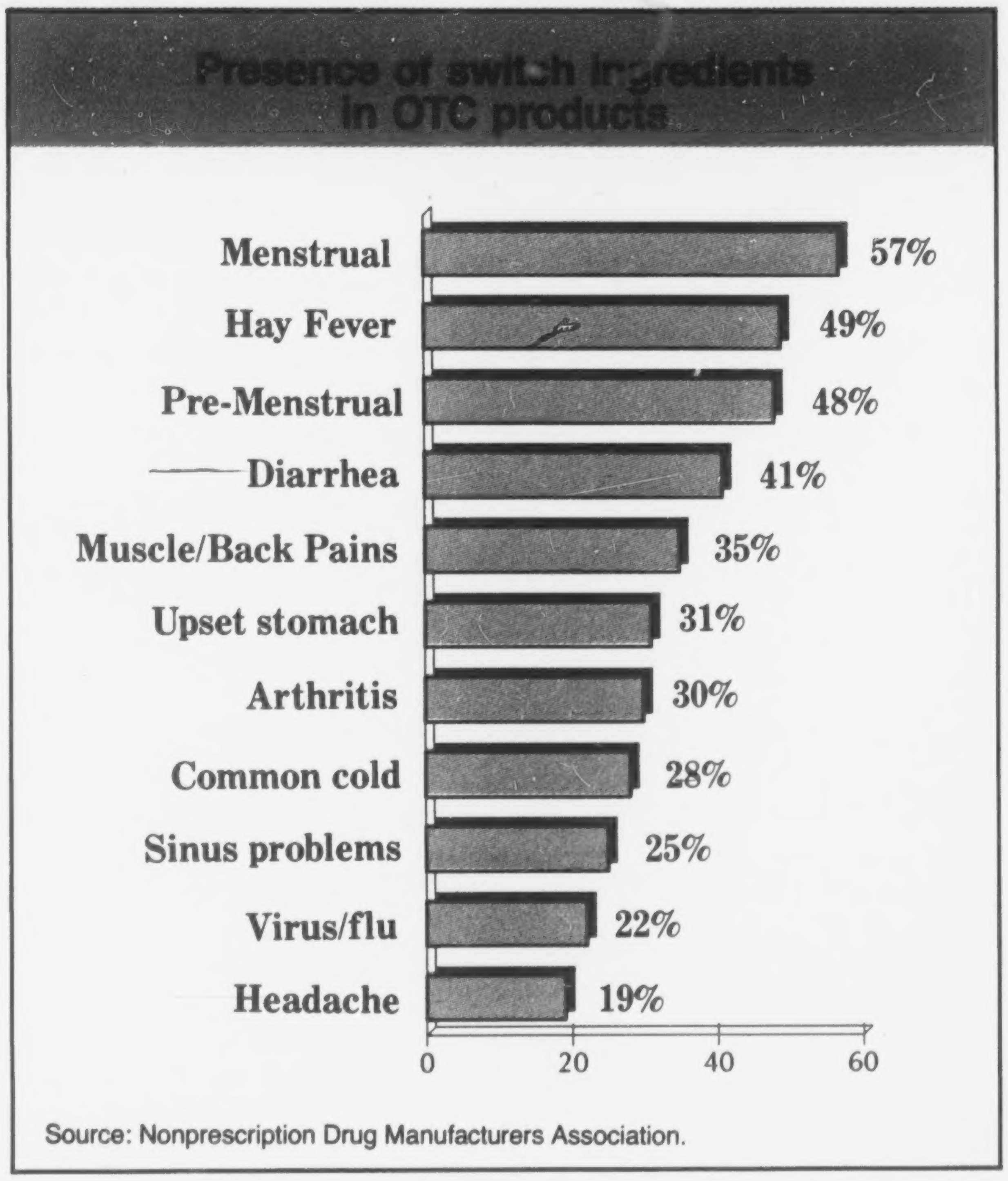


Source: Towne-Oller and Associates/Drug Store Audit.

"We do a fair business when our store is near a pediatrician and there are kids in the area. But the line extensions have gone through the roof—Bugs Bunny, Superman—it's just more choice."

With more studies on the way and with aging baby boomers a prime market for health-enhancing anti-aging regimens, the future of dietary supplements looks promising. Developments in other countries could also result in a boost to U.S. vitamin business, or as one manufacturer notes: "Effervescent products are very popular in Europe and Canada. That's a possible area for future category expansion." ■

Changes at FDA offer hope for OTC switches


Presence of switch ingredients in OTC products

Source: Nonprescription Drug Manufacturers Association.

As a long caravan of widely used and popular prescription drugs negotiates the path toward OTC status in coming years, manufacturers can expect to encounter a changing landscape full of challenging twists and turns.

New leadership and heralded changes at the Food and Drug Administration (FDA) have heightened the importance of OTCs in the federal government's bureaucratic hierarchy, and expectations are high that soon a new committee will be able to provide FDA with valuable input on switching matters.

But for those who have been holding their breath, nearly a year has passed since the committee was authorized, and it awaits the appointment of members before the first meeting can be held. Designating OTCs as an office rather than a division has changed the FDA's organizational chart, but material results from the change are elusive.

"We do not have an actual date yet for our first committee meeting other than to say sometime this fall," said Michael Kennedy, director of the OTC drug policy staff with the Office of OTC Drug Evaluation. "As soon as we do get something confirmed, we will be anxious to publicize it. When we get everyone together and get things rolling, they will be quite busy."

So far, one member representing the Nonprescription Drug Manufacturers Association (NDMA) has been appointed, but others have yet to be approved by David Kessler, FDA commissioner

"The advisory committee was done at our strong urging," according to Jack Walden, NDMA's director of public affairs. "For a number of years we have pushed for that, and I see the committee helping out on switch matters."

According to FDA committee management officer Donna Comb, a meeting this fall is probably overly ambitious. There are background checks and conflict of interest disclosures to be made along with a host of correspondence that must be exchanged prior to appointee confirmations.

"It is a time consuming process and I would guess that they might not be able to meet until next year," Comb said.

When the group does begin holding its quarterly meetings, its broad mission is to "review and evaluate available data concerning the safety and effectiveness of OTC human drug products for use in the treatment of a broad spectrum of human symptoms and diseases." It is also charged with "advising the commission either on the promulgation of monographs establishing conditions under which these drugs are generally recognized as safe and effective and not misbranded, or on the approval of new drug applications," according to the committee's mission statement.

The committee will also serve as a forum for the exchange of views regarding the prescription and nonprescription status of various drug products and combinations. It may also conduct peer review of agency sponsored intramural and extramural scientific biomedical programs in support of the FDA's mission and regulatory responsibilities.

The group's agenda is still under debate, according to Kennedy, because the 10 members who will serve represent a variety of interests.

"NDMA is going to propose formally that they allow time for an orientation from us, those who actually make the medicines," said Jack Walden, the NDMA's director of public affairs. "The committee ought to know who we are and see us as an industry before they take on the job of helping the FDA regulate us."

Ed Marlowe, a retired Warner-Lambert executive and consultant, will serve as NDMA's representative, and he expects to raise issues such as inconsistencies in monographs, warnings and a variety of concerns relating to labeling.

Other changes reflective of the new attitude the FDA has taken toward OTCs is the restructuring of OTCs from a division to an office.

"Essentially, what we have done is elevated OTCs in the hierarchy and eliminated another layer that they were under before," said FDA spokesman Mike Shaffer. "The people responsible for the OTC activities now are higher level individuals and that is a measure of importance of what goes on there."

Whether the beneficiary of those changes will be the Rx-to-OTC switching process remains to be seen.

"My understanding is that the FDA's budget and manpower limitations will remain the same. In terms of what [the Office of OTC Drug Evaluation] actually does, there won't be a significant difference," Shaffer said.

With the OTC restructuring, plans call for an expansion of medical staff to assist in the review of OTCs.

"Although we don't have it yet, there is a section set aside for OTC review," said Melvin Lessing, special assistant to the director of the monograph review staff with the Office of OTC Drug Evaluation. "Right now it is only on paper, but if it is created, that would bolster the office quite a bit."

As for what function a review board would serve, Lessing said, "It is really hard to say what you are going to do with something you don't have yet."

"Right now the office is pretty much on paper," agreed NDMA's Walden. "You can't make a difference in switch matters if you don't have medical expertise that you can tap."

Nevertheless, Walden is optimistic Kessler will hold good on his pledge to increase the prominence of the OTC office.

Continued on next page

A third class idea: Pharmacist-dispensed OTCs

Some Rx/OTC statistics

- Americans spent **$11.3 billion** on OTC products in 1990.
- The typical cost of an OTC product is about **$4**, compared to an average prescription price of **$24**, or **$40** visit to the doctor.
- Americans treat **90 percent** of their health complaints without seeing a doctor.
- More than **400** OTC products use ingredients and dosages available only by prescription just 15 years ago.
- **Thirty-three** drugs that have yet to be approved for OTC sales in the United States are available without prescription in other industrialized nations.

Source: NDMA.

Long waits at pharmacies, high prices and OTC products disappearing from retailers' shelves will become reality for American consumers under a three class drug system, according to a new video by the Nonprescription Drug Manufacturers Association.

Proponents of a third class of drugs would dispute those claims, but that is the impression given from viewing, "Less for More: A 3rd Class Idea," a seven-minute videotape produced by NDMA.

"Either a drug is safe for consumers to use on their own, or it is safe for use only with a doctor's supervision. There are no halfway measures," according to the NDMA.

Debate over the third class of drugs remains heated even though there are no specific proposals on the table at the national level to establish a class of drugs that would be dispensed by pharmacists. Expected to add fuel to the fire is a General Accounting Office report due out this fall on the use of transitional drug classes in other countries. The United States and South Africa are the only two industrialized nations that do not have a three-tier system. The study was requested by Rep. John Dingell (D-Mich.).

Further blurring the case both for and against a third class of pharmacist-dispensed medications are conflicting results from different studies on how well patients are able to self medicate and read labels.

The American Pharmaceutical Association points to figures compiled by the National Council on Patient Information and Education indicating that 50 percent of all medications are taken incorrectly.

Conversely, NDMA recently completed a survey that shows people are cautious and careful when they do turn to nonprescription medicines, and most people read the instructions on the label before taking a nonprescription medication for the first time.

Ninety-four percent of those surveyed by the NDMA agreed with the statement, "even though a medication is available without a prescription, one should take care when using it."

"If it is not safe, keep it prescription," said NDMA director of public affairs, Jack Walden. "The system now works, so leave it alone. Leave it in the hands of the doctors if a safety profile has not been established. We see no need for a halfway house."

While NDMA believes consumers are able to self-medicate responsibly, Pharmacists Planning Service Inc., a California-based activist organization, contends many OTCs are safe as long as consumers are counseled about their proper use.

The organization, founded in 1972 by Sausalito pharmacist Fred Mayer, recently had a request to create a transitional class denied by the FDA. The request outlined numerous examples of problems and abuses that stem from incorrect OTC use, but FDA ruled that a third class is not necessary and questioned its own legal authority to establish a transitional class.

Industry trade groups are also split on the transitional issue. National Association of Chain Drug Stores spokesman Steve Perlowski said "the issue is under review and we are still looking into it."

Other, more pharmacist-oriented trade groups, such as APhA, have supported creating a third class of drugs since 1964.

APhA views the trend toward OTC switches as an opportunity for pharmacists to expand their role as providers of health information and counseling, according to spokeswoman Melanie Privette. With more OTC products available, APhA believes a pharmacist-only class is necessary to ensure drugs are taken correctly and serious side effects don't develop.

Also supporting the transitional class idea is the Washington D.C.-based National Consumer League. Spokeswoman Mary Ponder said she doesn't understand why there is such reluctance to the idea.

"A transition class of drugs will not reduce access to medications," Ponder said. "What we have seen happen in other countries that have a three-class system is that there is earlier access for consumers."

According to Ponder, the large number of prescription drugs likely to pursue the OTC route in coming years could prompt NDMA to alter its longstanding opposition to the creation of a transitional class.

"If they feel approvals are being held up because of the FDA's heavy load, they may take another look at the idea," Ponder said.

> *'If it is not safe, keep it prescription. The system now works, so leave it alone.'*
>
> **—NDMA.**

Changes at the FDA offer hope

Continued from previous page

"We think Kessler meant what he said at the time the office was formed–that OTCs will get more attention," Walden said.

Most in the drug industry expect to see as many as 50 potential switch candidates in the next five years. Expected to fuel the switching process are rising health care costs, an increasing number of people turning to self-medication, and a strong demand for over-the-counter remedies.

"We are looking for a significant increase in the number of Rx-to-OTC switches in the next few years," said Tom Simone, president of McKesson Drug. "We expect a number of ethical manufacturers will come out with OTC versions of their pharmaceutical products. It is a better route for them to take because it allows them to protect their brand rather than face competition from generic drugs."

By going the OTC route when their brand is nearing the end of patent protection, manufacturers can obtain three more years of marketing exclusivity for the product.

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The newspaper of chain drug retailing August 17, 1992

DRUG STORE NEWS®

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Eckerd hangs tough in chainwide restructure

By Mike Troy

CLEARWATER, Fla. — Jack Eckerd Corp. is revamping its organization to reduce operating costs so it can be more price competitive, bring decision making closer to store level and strengthen its pharmacy franchise.

The restructure reduces from eight to six its number of operating regions, and in a streamlining over the next year a loss of 600 positions, most through attritions and retirements, said company spokesman Gene Ormond.

One well-known executive who has left is vp-merchandising Doug Bailey, a 22-year company veteran. He has formed a venture capital firm and is also considering teaching a college level marketing course.

The restructuring's impact on the buying staff and relations with suppliers is not clear at this time. "Although minimal, there have been some responsibility shifts in the merchandising organization that will facilitate our business relationships with suppliers," Ormond said.

Turley
Making stores proactive

Overall, said Stewart Turley, Eckerd ceo, the company seeks "to improve store operations by reducing the layers of management between headquarters and stores, and streamlining communications and reporting."

New pharmacy alignment

One area of significant change is in pharmacy operations where there have been several personnel changes. Store level pharmacists will

See **Eckerd** *page 25*

Scandal rocks Phar-Mor

Expansion plans derailed, vendor support threatened

By James Frederick

YOUNGSTOWN, Ohio — Phar-Mor, the nation's leading deep discount drug chain, has been staggered by a major financial scandal involving its former president and cfo. The scandal threatens to undermine the company's support from vendors and financial backers, and it has already forced a pullback on expansion plans and a series of harsh cost-cutting moves.

Phar-Mor on July 31 fired former president and chief operating officer Michael "Mickey" Monus and former cfo Patrick Finn for allegedly participating in what the company called "a fraud and embezzlement scheme totaling some $350 million and including criminal activity." At the same time, the company also sacked Jeff Wolley, vp of finance and Stanley Cherelstein, controller.

Monus
An abrupt ending

To account for the losses, the company will take a one-time write-off of $350 million in the second quarter of the current fiscal year. Phar-Mor has also put expansion on hold, although 10 new stores will open as scheduled through the end of August. *(See story on 300th store opening, p. 3.)* Ironically, the company went ahead with four simultaneous grand openings on Aug. 5 in Taylor and Flint, Mich., Waterloo, Iowa and Marion, Ohio.

"Those scheduled to open from September on, we're evaluating," said Phar-Mor spokesman Paul Froehlich.

Other responses to the crisis were also quick in coming. In a bid to cut costs and shore up profitability, the chain immediately targeted its merchandise mix for underperforming categories and within a week had instituted a series of deep cuts in personnel at headquarters. By Aug. 6, the chain had laid off 125 of the 800 employees at headquarters, including middle and lower management, support staff and adminstrative people.

See **Phar-Mor** *page 25*

Hoven assumes presidency to lead Revco in new era

Seltzer departs

TWINSBURG, Ohio — Bill Seltzer, who for the past five years has spearheaded Revco's automation and systems efforts, has left to take a similar post at Office Depot in Miami.

Seltzer was senior vp-distribution and systems, and led Revco's successful efforts to overhaul third-party billing/adjudication systems, POS technology, pharmacy computers, purchasing and inventory movement. He also oversaw chainwide installation of POS scanners and Prescription Access Link (PAL), Revco's on-line pharmacy computer system.

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TWINSBURG, Ohio — D. Dwayne Hoven, a popular executive whose steady, low-key approach and consensus management style helped guide Revco through the tumultuous aftermath of its emergence from bankruptcy, has been named president and chief operating officer by Revco's new board of directors.

Hoven succeeds his former boss, then-ceo and chairman Boake Sells, as Revco's top executive. There are no plans to create another ceo position, said Revco board member David Schulte.

"Dwayne has the top job, period," said Schulte.

The choice of Hoven came less than two months after Revco's board fired Sells and announced plans to form a search committee for a successor. "The search committee never even hired an outside recruiter," Schulte told *Drug Store News*. "We concluded there was an inside choice who was ideal."

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Hoven and the prototype: keys to Revco's future

Hoven, 50, joined Revco as part of Sells' incoming management team in 1987. He has overseen marketing, merchandising, distribution, loss prevention and store and pharmacy operations as one of Revco's top executives and a member of the executive committee. He was named executive vp-marketing and stores following this year's departure of Jim Adamson. He was part of a four-man team of core managers that has guided Revco on an interim basis since Sells left in June.

"Dwayne Hoven has shown himself to be an exceptional leader," noted board members Talton Embry and Sam Zell in a joint statement. "In addition to his people skills, he has a breadth of knowledge and experience, having directed store operations, distribution, warehousing and marketing. It's because of our confidence in his strong abilities that the board has entrusted him with the leadership of Revco."

Executive vp-finance/cfo Greg Raven, also on the interim team, praised Hoven. "He's an outstanding choice," Raven told *Drug Store News*. "No. 1, he's highly qualified; and No. 2, it creates a lot less disruption than bringing in someone from outside."

In a related development, Revco's 11-member board named its two most powerful

See **Hoven** *page 17*

NEWS IN BRIEF

Rite Aid sues on Maine Medco issue

CAMP HILL, PA. — The latest development in the battle between Rite Aid and the state of Maine is a suit filed by the chain with the state's Superior Court.

The claim, filed against the state, the Department of Financial and Administrative Services and Medco Containment Services, charges that Medco (the company selected to administer the state employees' prescription program) violated state law by failing to allow local pharmacies to participate fully in the program.

FoxMeyer/Perry supplier pact signed

DALLAS — FoxMeyer Corp. has won the role as primary supplier of pharmaceuticals and other products to Perry Drug Stores, effective in September. FoxMeyer will replace Perry's current primary wholesaler, McKesson Drug Company, with this new, multi-year contract.

Cosmetic Center opens No. 39

CHANTILLY, Va. — The Cosmetic Center, a chain of specialty beauty care stores headquartered in Maryland, has opened a new store here. It is the chain's 39th and its 17th in the Washington metro market.

Warehouse clubs advance to $29B

NEW YORK, N.Y. — A recent study by Packaged Facts shows that the market for warehouse membership clubs grew 34 percent to $29 billion in 1991. David Weiss, Packaged Facts president, predicts that clubs will continue to grow over the next four years since they fit the tenor of the 90s, which he calls the "reality decade."

Bibelhausen gets Revco regional post

TWINSBURG, Ohio — Revco D.S. has named former Cleveland district manager Keith Bibelhausen regional director of operations for the chain's Northern region.

Bibelhausen, 37, will oversee nine Revco operating districts and 180 stores in Ohio, Tennessee and West Virginia, and will report to regional vp Richard Mergo. He joined Revco as a district manager in 1988, and in fiscal 1991, received Revco's District Manager of the Year award, along with its shrink improvement award. He has also served at Eckerd Drug and Gray Drug Fair.

In another move, Revco promoted Donald Tomoff to director of general accounting. Tomoff, 33, had served since early 1991 as manager of financial reporting and worked six years at Price Waterhouse in Cleveland.

PayLess' Barker promoted

Barker

WILSONVILLE, Ore. — Gordon Barker, a 24-year veteran of PayLess Drug Stores, has been named executive vp of the 418-store chain and will head up the recently purchased 124-store Pay 'n Save chain based in Seattle. Barker most recently held the position of senior vp of operations.

"This move makes sense in light of our rapid growth in the past few years and our anticipated future growth," remarked Tim McAlear, president and ceo. During his career with PayLess, Barker has served in a range of positions from pharmacist, store manager and district manager to special projects manager, vp of pharmacy sales and senior vp of pharmacy.

PayLess targets Utah growth with new stores and DC

By James Frederick

TAYLORSVILLE, Utah — Celebrating the end of its first year of operations in Utah—a state earmarked for rapid growth—PayLess Drug Stores unveiled its first newly built store here and prepared to break ground on a 610,000-square-foot distribution center in Ogden, Utah.

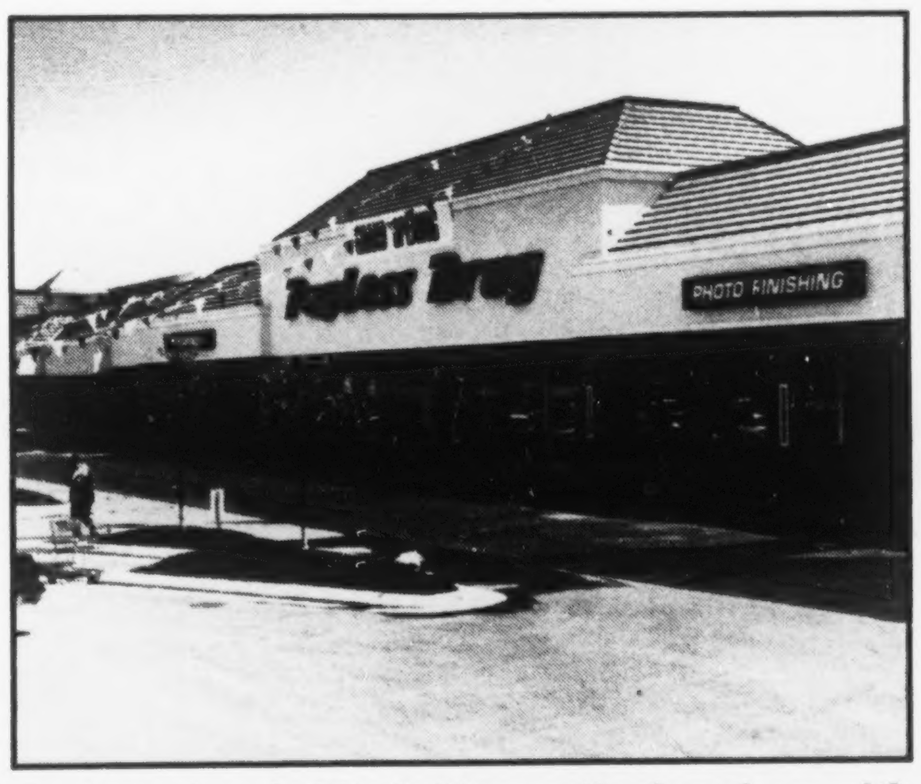
Utah consumers are responding to PayLess' dramatic, angled store format in steadily growing numbers, say local company managers.

The newly built PayLess is a 32,000-square-foot (27,900 selling) "45" model, so named because its interior aisles radiate outward from a central cosmetics bullpen at 45-degree angles toward prominent core departments at the perimeters. Located just south of Salt Lake City, the store is the 21st PayLess unit in the state and the first to be built from the ground up since the chain bought 20 former Osco drug stores from American Drug Stores in 1991.

The grand opening for the store was tied to the chain's one-year, statewide anniversary celebration and sale. PayLess officials cited rapidly rising sales in Utah as growing numbers of consumers discovered the chain's penchant for broad selection, strong pharmacy, responsive service and wide-open, strikingly merchandised stores.

"Here, we're still trying to establish what we're about to the customer, but when they walk in to the store and see the bright floors and the presentation, their first reaction is 'wow'," said Rob Lambrecht, district manager for all but one of the Utah Pay Less stores. "We've worked very hard with the layouts, the signing and our presentation in these stores."

PayLess has put a high premium in growth in the state. Its expansion here began in February of this year, when it relocated a small former Osco drug store in Bountiful, north of Salt Lake City, to a much larger location in a former Albertson's supermarket. A total of six new stores are scheduled for opening this year, including a September opening outside Ogden, an October opening in Layton and probable November openings for Park City and Salt Lake City.



PayLess signaled its bold growth plans here with the opening of its first newly built store.

The last will open in the well-known Salt Lake district, Sugarhouse, in a former Dan's Food and Drug. Two former Oscos in the state have also been totally remodeled in line with the "45" prototype.

Lambrecht forecasted that "by the end of the year, we'll employ 1,100 or 1,200 people in the state. By late next year, we'll probably be looking at adding a second district manager." He also praised the state's work force as highly motivated.

Lambrecht and store manager Bobby Seim said several factors weight in PayLess' favor in Osco's former backyard. One big one is resources: the chain was able to convert all logos and revamp the merchandise mix and departmental presentation in the stores shortly after the takeover last year, adopting PayLess' highly sophisticated systems for distribution, purchasing, pricing and planogramming. Since the spring, all but two stores have also been converted to POS scanning.

Deliveries a plus

Twice-weekly deliveries from Wilsonville are also a big plus, according to the store manager. "With Osco, we only ordered once a week," said Seim, noting better in-stock positions and turns.

Another factor behind PayLess' successful entry has been the chain's rapid growth. With 417 stores now open in 10 states and the addition of the 124 Pay 'n Save stores, there is plenty of room for advancement. Three assistant managers from the Salt Lake district have already been sent to Wilsonville for Pay Less' "Top Gun" accelerated management training program.

Shoppers Drug Mart pumps earnings for Imasco; comp sales up 5.6%

MONTREAL — Shoppers Drug Mart was again top performer for Imasco Ltd., the diversified holding company. The chain, which is nearing the 700-store mark across Canada, reported a 10 percent jump in operating earnings for the second quarter ended June 30.

Operating income rose to $20.7 million (Canadian) for the period, and to $39.5 million for the first half of fiscal 1992.

"Shoppers Drug Mart/Pharmaprix is growing steadily despite the weak retail environment," said Purdy Crawford, Imasco chairman and ceo. "Comparable store sales were up 5.6 percent in the second quarter and 4.7 percent for the six months."

The gains came despite what Imasco recently called "serious challenges" for all Canadian retailers. Among those challenges: a steady decline in consumer confidence, weakening retail sales, aggressive price competition, loss of shoppers who cross the border to the U.S. and implementation of the federal government's GST tax structure in early 1991.

Shoppers responded to these challenges by cutting overhead, negotiating lower merchandise costs, cutting prices in stores and advertising more aggressively.

The chain last year launched "Shoppers Best Buys," a discount program on hundreds of unadvertised everyday items, added more in-store postal outlets, launched the Express Photo one-hour service and pushed hard to boost higher-margin private label sales, which now account for roughly 7 percent of total sales.

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AACP's Pharm.D. approach: rational, fair

IN THE MARKET
BRUCE BUCKLEY

There are some key points to be made on the recent position taken by the American Association of Colleges of Pharmacy on the mandatory six-year Pharm.D. degree. The issue, of course, is crucial to community pharmacy, both chains and independents, who employ the bulk of the nation's pharmacists.

First, even though the AACP came out in favor of a single entry-level doctoral degree for pharmacists, the association recommended that no deadline be set for implementing the new requirement.

The pharmacy educators recognized, quite rightly, that the deadline set by the ACPE for implementing a mandatory six-year Pharm.D.—the year 2000—would place too great a burden on the nation's 75 pharmacy schools as well as on the profession in general. ACPE would do well to go along with their recommendation.

Second, AACP wants the Pharm.D. implementation planning process to be developed *with the full participation of all stakeholders in pharmaceutical education* (emphasis added).

What's more, the association supports "a rational, carefully thought-out approach of refining pharmacy education to produce graduates adequately prepared to provide pharmaceutical care in a variety of practice areas."

AACP's urging that "all stakeholders" be involved in the planning process and that pharmacy education be refined to prepare for a variety of practice settings is a clear recognition that pharmacy is a diverse profession, with many competing needs, not the least of which are those of retail practice.

So, although the AACP's position may not be completely acceptable to all, it is at least a rational approach to the planning process which takes into account the interests of all segments of the pharmacy profession. And that is a big plus.

* * *

The economy has been sluggish and so have retail sales, but are drug retailers ready for new political direction?

I'd like to know, and I don't think it's too early to begin polling readers on their choices in this presidential election year. To that end, I'm launching a Bush/Clinton straw poll.

Check your choices below and FAX it to me (212-756-5250) or drop your ballot in the mail to *Drug Store News* Straw Poll, 425 Park Ave., New York, N.Y. 10022.

No need to identify yourself. To make it more interesting, I'm separating presidential and vice-presidential choices.

Bush [ ] **Quayle** [ ]

Clinton [ ] **Gore** [ ]

Comments ....

....

I'll report on the results in a future issue.

FTC steps toward green ground rules

WASHINGTON PERSPECTIVE
KEN RANKIN

In today's marketplace, environmentalism is a cash crop.

There's gold beneath all that green, and the marketers of hundreds of drug store products—from shampoo to shoe polish—are anxious to convey the impression that their brand is "environmentally friendly."

But with advertisers cashing in on terms such as "recycled," "recyclable," "biodegradable," and "environmentally safe," regulatory agencies in scores of states, cities and counties are moving to protect the public from misleading or deceptive environmental claims.

A number of states and localities have already adopted their own ground rules governing "green" product claims. As a result, what's "recyclable" in Pittsburgh might not be in Poughkeepsie.

Conflicting federal, state and local standards for environmental product claims are likely to discourage manufacturers and retailers from engaging in this kind of advertising at all.

If that happens, consumers will be deprived of truthful information upon which to base environmentally responsible buying decisions.

Clearly, this is an area that requires national standards.

The good news is that the Federal Trade Commission has taken the initiative by issuing a detailed new set of industry "Guides for the use of Environmental Marketing Claims."

According to the agency, these standards are intended to offer a "safe harbor" for marketers to use in crafting "green" product claims.

The bad news is that the FTC's guides may not prove to be particularly useful for advertisers seeking a bright line separating acceptable claims from deception.

Does recycled material have to equal 100%

Take one specific example advanced by the FTC to illustrate the new guides:

Advertiser "X" claims that "our plastic diaper liner has the most recycled content." As a percentage of weight, the company's diaper does indeed contain more recycled material than competing products, but it is still far less than 100 percent recycled. Is the manufacturer's claim deceptive?

The FTC's answer:

"Provided the recycled content and the comparative difference between the product and those of competitors are significant and provided the specific comparison can be substantiated, the claim is not deceptive."

That's a lot of weaseling, even by government standards.

But even if you sift through the tangled examples and garbled ground rules, the "safe harbor" offered by the FTC's new guides may offer little protection for manufacturers or retailers.

Indeed, the FTC officials prefaced their new guides by stressing that they will not pre-empt other federal, state or local rules governing such claims.

An advertiser could comply with the letter and the spirit of the new FTC guides and still be in hot water with other state, local or federal enforcers.

Conversely, a marketer's "compliance with federal, state or local law and regulations concerning such claims. . . will not necessarily preclude Commission law enforcement action," the agency acknowledged.

Instead of replacing the present unpredictable patchwork of environmental ad rules and regulations with a straightforward national standard, the FTC seems content to ladle on another layer of uncertainty.

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NIELSEN HIGHLIGHTS

Marketing focus: Deodorants

This category had all outlet sales of $1.08 billion during the 52 weeks ending Mar. 16, 1991 (down 3 percent against 1990). Unit sales of 557 million were up 2 percent from last year. The average price reported by consumers was $1.94 per unit, a decrease of 4 percent from 1990. (Units are the total number of items purchased, not equivalized.)

Household penetration declined by 1.2 points to 85.3 percent of the 94.7 million U.S. households. Each of the 80.8 million households purchasing the category this year spent an average of $13.38. They purchased the category at a rate of 5.1 times during the year, buying on average, 1.4 units on each occasion.

Consumers reported using coupons with 26 percent of their purchases (up 2 points from last year) and that 36 percent of the units were bought on some type of retailer promotion (up 3 points).

Trade channels share of all outlet unit sales

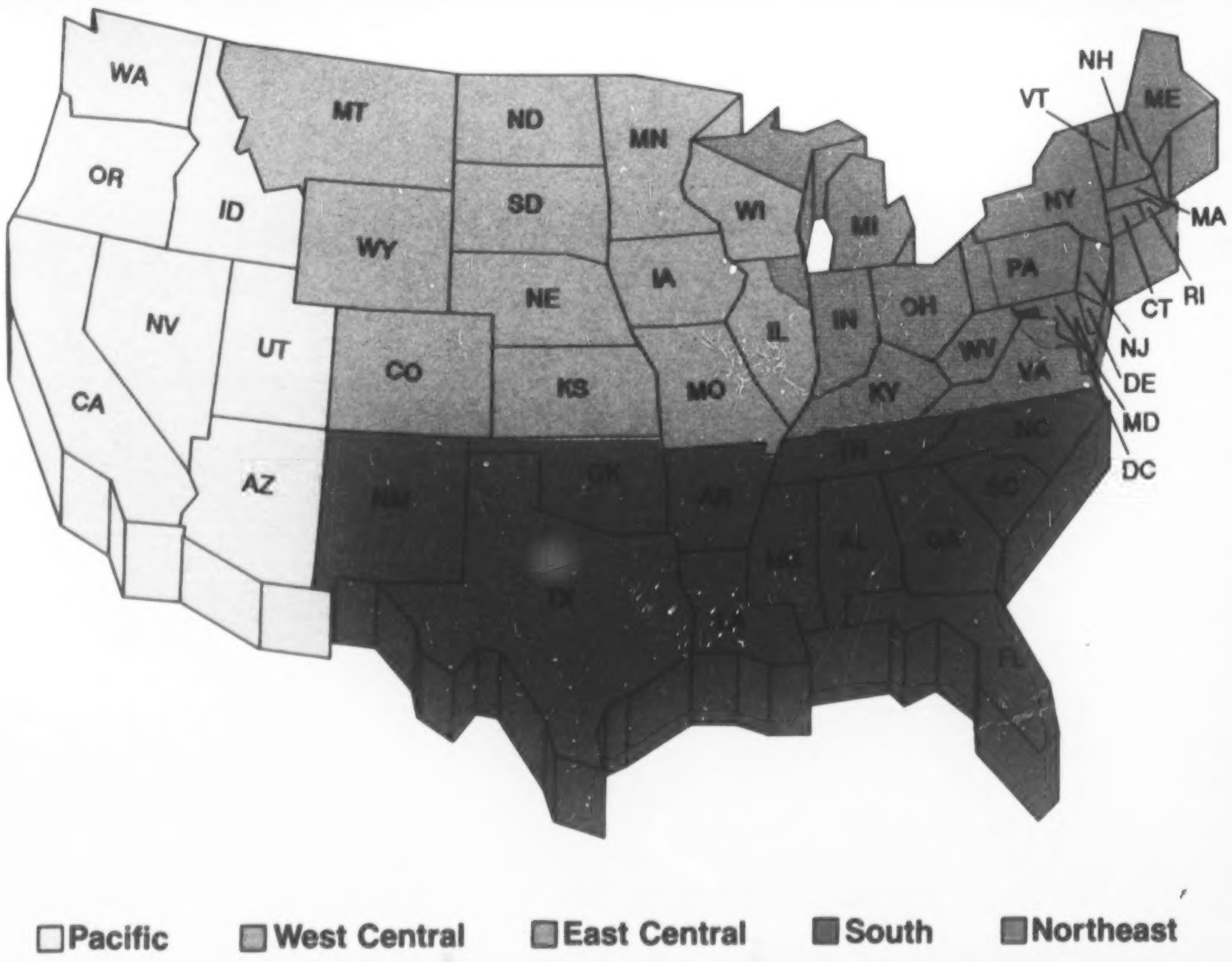
Trade channels	Percentage share of sales	Unit/buyer	Penetration
Supermarkets	46%	4.7	57%
Mass merchandiser	29	4.3	40
Drug store	18	3.3	31
Other food	4	2.4	9
Other non-food	2	2.2	5
Warehouse club	1	2.7	3
Convenience stores	<1	1.9	1

Source: Based on 60,546 actual 1991 purchase transactions.

Consumer characteristics

Lifestage group share of all outlet unit sales

Lifestage groups	Percentage share of sales	Index	Average price	Penetration
Maturing families	25%	119	$1.92	92%
Empty nesters	21	90	1.90	83
Established families	12	168	1.89	96
Mid-age couples/ no children	12	123	2.07	91
New families	9	106	1.95	91
Young couples/ no children	6	118	2.00	92
Mid-age singles	6	81	1.86	80
Older singles	6	45	1.87	65
Young singles	3	61	2.03	81



1991 Buyer characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	81%	62%	56%
Households with children<13	28	92	30	32
Households with any teenagers	14	96	16	22
White households	86	85	85	83
Black households	11	90	12	15
Hispanic households	6	93	7	8
Metro (A and B counties)	72	85	72	74
Households with cable	59	87	60	64

Purchase dynamics	1990	1991	Change
Household penetration	86.5%	85.3%	−1.2 pts
Purchase occasions (annual)	5.3	5.1	−3.4 %
Units per purchase	1.3	1.4	5.6%
Dollars per purchase	$2.59	$2.63	1.5%
One-time buyers	13%	13%	0 pts
Male primary purchase	23%	27%	4 pts

Geographic region share of all outlet unit sales

Geographic region	Percentage share of sales	Index	Average price	Penetration
South	33%	108	$1.92	88
Northeast	22	99	1.97	83
West Central	16	99	1.93	84
Pacific	15	85	2.06	83
East Central	14	106	1.84	88

Source: Based on 121,246 actual purchase transactions.

Other definitions

1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage groups: What they mean

Young singles: Single-member households. Ages 18-34.
Young couples: No children. Age range 18-44.
New families: Couples with children under 6.
Maturing families: Couples with children under 12.
Established families: Couples with teen-age children.
Middle-age singles: Single-member households. Ages 35-54.
Middle-age couples: No children. Ages 35-54.
Empty-nesters: Two-plus-member households. Ages 55 or older.
Older singles: Single-member households. Ages 55 or older.